



ESR Cayman Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1821



GLOBAL OFFERING

Joint Sponsors



Joint Global Coordinators and Joint Bookrunners

Morgan Stanley



Joint Bookrunners
(in alphabetical order)



IMPORTANT

If you are in any doubt about any of the contents of this Prospectus, you should seek independent professional advice.



ESR Cayman Limited

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

- Number of Offer Shares under the Global Offering** : 653,680,000 Offer Shares (comprising 280,140,000 New Shares and 373,540,000 Sale Shares, and subject to the Offer Size Adjustment Option and the Over-allotment Option)
- Number of Hong Kong Public Offer Shares** : 34,700,000 New Shares (subject to reallocation and the Offer Size Adjustment Option)
- Number of International Placing Shares** : 618,980,000 Offer Shares (comprising 245,440,000 New Shares and 373,540,000 Sale Shares, and subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option)
- Maximum Offer Price:** : HK\$17.40 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund) (If the Offer Price is set at 10% below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment, the Offer Price will be HK\$14.58 per Offer Share)
- Nominal value:** : US\$0.001 per Share
- Stock code:** : 1821

Joint Sponsors

Deutsche Bank Group 

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(in alphabetical order)

 建银国际 CIB International

 CICC 中金公司

 CLSA A CITIC Securities Company

 CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK

 DBS

 MIRAE ASSET Securities

 UOB Kay Hian

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix IX to this Prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this Prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) on or around Friday, October 25, 2019 and, in any event, on or before Thursday, October 31, 2019. The Offer Price will not be more than HK\$17.40 per Offer Share and is expected to be not less than HK\$16.20 per Offer Share (subject to a Downward Offer Price Adjustment), unless otherwise announced.

If, for any reason, our Company (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Thursday, October 31, 2019, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range stated in this Prospectus which is HK\$16.20 to HK\$17.40 at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.esr.com. Further details are set forth in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares" in this Prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Prospectus, including the risk factors set out in the section headed "Risk Factors" in this Prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting" in this Prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered within the United States to QIBs in reliance on Rule 144A under the U.S. Securities Act or other exemption(s) from registration under the U.S. Securities Act or outside the United States in reliance on Regulation S under the U.S. Securities Act.

October 22, 2019

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Global Offering, we will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.esr.com.

Hong Kong Public Offering commences and WHITE and YELLOW Application Forms available from	9:00 a.m. on Tuesday, October 22, 2019
Latest time for completing electronic applications under the White Form eIPO service through the designated website at www.eipo.com.hk ⁽²⁾	11:30 a.m. on Friday, October 25, 2019
Application lists open ⁽³⁾	11:45 a.m. on Friday, October 25, 2019
Latest time for (a) lodging WHITE and YELLOW Application Forms, (b) completing payment for White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (c) giving electronic application instructions to HKSCC	12:00 noon on Friday, October 25, 2019
Application lists close ⁽³⁾	12:00 noon on Friday, October 25, 2019
Expected Price Determination Date	Friday, October 25, 2019
(1) Where applicable, announcement of the Offer Price being set below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment (see the section headed “Structure of the Global Offering—Pricing and Allocation”) on the website of the Stock Exchange at www.hkexnews.hk and the Company’s website at www.esr.com on or before	Thursday, October 31, 2019
(2) Announcement of the Offer Price, the level of indications of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Public Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Thursday, October 31, 2019
(3) Results of allocations in the Hong Kong Public Offering to be available through a variety of channels as described in the section headed “How to Apply for Hong Kong Public Offer Shares—Publication of Results” in this Prospectus from	Thursday, October 31, 2019
(4) Announcement containing (2) and (3) above to be published on the websites of the Company and the Stock Exchange at www.esr.com and www.hkexnews.hk from	Thursday, October 31, 2019
Results of allocations for the Hong Kong Public Offering will be available at www.iporesults.com.hk (alternatively: English https://www.eipo.com.hk/en/Allotment ; Chinese https://www.eipo.com.hk/zh-hk/Allotment) with a “search by ID” function from	Thursday, October 31, 2019
Dispatch of Share certificates and White Form e-Refund payment instructions/refund checks on or before ⁽⁴⁾	Thursday, October 31, 2019
Dealings in the Shares on the Stock Exchange expected to commence on ..	Friday, November 1, 2019

Notes:

- (1) All dates and times refer to Hong Kong dates and times.
- (2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

EXPECTED TIMETABLE⁽¹⁾

- (3) If there is/are a “black” rainstorm warning signal, a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, October 25, 2019, the application lists will not open and close on that day. See the section headed “How to Apply for Hong Kong Public Offer Shares” in this Prospectus.
- (4) The Share certificates will only become valid at 8:00 a.m. on the Listing Date, which is expected to be Friday, November 1, 2019, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Public Offer Shares, see the sections headed “Structure of the Global Offering” and “How to Apply for Hong Kong Public Offer Shares” in this Prospectus, respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, the Company will make an announcement as soon as practicable thereafter.

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This Prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Public Offer Shares offered by this Prospectus pursuant to the Hong Kong Public Offering. This Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this Prospectus in any jurisdiction other than Hong Kong. The distribution of this Prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this Prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by us or any of the Relevant Persons.

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SUMMARY

This summary aims to give you an overview of the information contained in this Prospectus. As it is a summary, it does not contain all of the information that may be important to you. You should read the whole Prospectus before you decide whether to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this Prospectus. You should read that section carefully in full before you decide whether to invest in the Offer Shares.

OUR MISSION

We aim to build modern logistics infrastructure for 21st century commerce across APAC. We endeavor to offer tenants modern, state-of-the-art logistics facilities and solutions, and provide investors with exposure to a dynamic sector in the fast-growing APAC region.

OVERVIEW

We are the largest APAC focused logistics real estate platform by GFA and by value of the Portfolio Assets and have the largest development pipeline in aggregate across the major APAC markets as measured by GFA from July 1, 2019 to December 31, 2020, according to the JLL Report. We develop and manage modern logistics facilities that cater to e-commerce companies, 3PL providers, bricks-and-mortar retailers, manufacturers, cold-chain logistics providers and others in APAC as logistics infrastructure continues to evolve for the modern economy. We focus solely on APAC, which comprised over 3.6 billion people (around 50% of the global population) and over US\$28.6 trillion of GDP (over 33% of the global GDP) in 2018, according to the JLL Report. We currently operate in the PRC, Japan, South Korea, Singapore, Australia and India markets that represent close to 90% of GDP in APAC in 2018, according to the JLL Report. We have grown significantly during the Track Record Period. Our revenue grew by 58.5% from US\$96.7 million in 2016 to US\$153.3 million in 2017, and further grew by 65.8% to US\$254.1 million in 2018. Our revenue grew by 66.3% from US\$93.7 million for the six months ended June 30, 2018 to US\$155.8 million for the six months ended June 30, 2019. Our management fee income, a key component of our revenue, grew significantly from US\$46.5 million in 2016 to US\$94.3 million in 2017, and further to US\$135.6 million in 2018, driven by robust growth in our Fund AUM. Our management fee income grew from US\$59.0 million for the six months ended June 30, 2018 to US\$61.8 million for the six months ended June 30, 2019. Our net profit grew by 91.6% from US\$104.8 million in 2016 to US\$200.8 million in 2017, and further grew by 6.0% to US\$212.9 million in 2018. Our net profit grew by 32.0% from US\$63.7 million for the six months ended June 30, 2018 to US\$84.1 million for the six months ended June 30, 2019. During the Track Record Period, the majority of our profit was derived from fair value gains on investment properties and share of profits and losses of joint ventures and associates, which together amounted to US\$142.9 million, US\$232.2 million, US\$237.8 million, US\$61.0 million and US\$121.9 million in 2016, 2017 and 2018 and for the six months ended June 30, 2018 and 2019, respectively.

We hold a portfolio of logistics properties on our balance sheet and manage a broad range of funds and investment vehicles that invest in logistics properties at various stages of the property life cycle across APAC. As of June 30, 2019, we managed 30 private third-party pooled investment vehicles, with over US\$6.3 billion in total equity commitments, and two REITs listed on the SGX-ST with aggregate appraised carrying value of approximately US\$2.9 billion. As of June 30, 2019, our AUM was approximately US\$20.2 billion (of which US\$2.7 billion was on our balance sheet) and

SUMMARY

comprised approximately 8.5 million sq.m of GFA of completed properties, approximately 4.4 million sq.m of GFA of properties under construction (which we expect to be completed over the next two to five years and the size of which is expected to be more than half of the GFA of our current completed properties) and approximately 2.4 million sq.m of GFA to be built on land held for future development, adding up to over 15.3 million sq.m of GFA in total. GFA on land held for future development refers to total estimated GFA upon completion based on the Company's construction plans. See the section headed "Business—Property Operations—Classification of the Portfolio Assets" in this Prospectus for further details.

We develop logistics real estate primarily in Tier 1 and 1.5 cities in APAC, targeting strategic locations near key logistics hubs, major seaports, airports, transportation hubs and industrial zones in the PRC, Japan, South Korea, Singapore, Australia and India, which are the markets we believe will drive future growth across APAC. The majority of the tenants in the Portfolio Assets service domestic consumption in APAC. According to the JLL Report, APAC's substantial middle class population coupled with rapid economic growth and rising income levels are expected to support rising consumption levels in the region. Private consumption in China, Japan, South Korea, Singapore, Australia and India is forecasted to grow at a CAGR of 8.1% between 2019 and 2023, approximately two times the anticipated 4.0% growth in the US during the same period. As of June 30, 2019, e-commerce and 3PL tenants made up approximately 48.5% of the tenant base of the Portfolio Assets by leased area. In 2016, 2017 and 2018 and for the six months ended June 30, 2019, rental revenues from e-commerce and 3PL tenants in our balance sheet properties amounted to 82.6%, 76.7%, 63.5% and 41.0% of our total rental revenues, respectively. The decrease in the proportion of rental revenues from e-commerce and 3PL tenants in the six months ended June 30, 2019 was due to our acquisition of Propertylink, the property portfolio of which had a higher percentage of traditional logistics and industrial tenants, as well as the disposal of certain balance sheet properties to NCI Core Fund, the majority of which were occupied by e-commerce tenants.

With our APAC-focused business model, we grew significantly during the Track Record Period through organic growth and strategic merger and acquisition ("M&A"), increasing our AUM from US\$7.4 billion as of December 31, 2016, to US\$12.0 billion as of December 31, 2017, to approximately US\$16.0 billion as of December 31, 2018 and further to US\$20.2 billion as of June 30, 2019. We have also attracted investments from three out of the top six real estate capital providers globally based on IP&E Real Assets' top 100 ranking of the world's largest real estate investors in 2018. We were ranked #29 in the world in PERE's "Fab 50", the flagship ranking of the private real estate world's top managers (by total annual fundraising amount) in 2018. Our total consolidated balance sheet assets, which include our investment properties, investments in joint ventures, and financial assets at fair value, grew by 45.4% from US\$2,101.5 million as of December 31, 2016 to US\$3,054.9 million as of December 31, 2017, and further grew by 45.1% to US\$4,431.6 million as of December 31, 2018 and 34.2% to US\$5,946.0 million as of June 30, 2019.

SUMMARY

Below is a summary of the Portfolio Assets we directly owned as of June 30, 2019:

<u>Country</u>	<u>Number of properties⁽¹⁾</u>	<u>GFA of completed properties⁽²⁾⁽³⁾</u>	<u>GFA of properties under construction⁽³⁾</u> (sqm in thousands)	<u>GFA on land held for future development⁽³⁾</u>
The PRC	27	1,105.4	842.4	657.4
Greater Shanghai	8	516.1	403.3	245.6
Greater Beijing	5	253.7	—	147.8
Greater Guangzhou	6	238.6	—	107.9
Others	8	96.9	439.1	156.2
Japan	4	—	575.0	300.0
Tokyo	4	—	575.0	300.0
Australia	41⁽⁴⁾	481.7	35.9	—⁽⁴⁾
New South Wales	15	158.6	18.4	—
Queensland	10	80.5	—	—
Victoria	13	214.9	17.5	—
Western Australia	3	27.6	—	—
India	3	—	116.5	229.9
Mumbai	2	—	116.5	199.3
Kolkata	1	—	—	30.7
Total	<u>75</u>	<u>1,587.1</u>	<u>1,569.7</u>	<u>1,187.3</u>

Notes:

- (1) Includes completed properties, properties under construction and GFA on land held for future development.
- (2) Includes both stabilized and pre-stabilized completed properties. “Stabilized properties” refer to completed properties: (i) for which construction or acquisition had been completed for more than 12 months; or (ii) reached an occupancy rate of 93% or higher. “Pre-stabilized properties” refer to completed properties: (i) for which construction or acquisition had been completed for less than 12 months; or (ii) with an occupancy rate of less than 93%.
- (3) For the definitions of “completed properties,” “properties under construction,” and “GFA on land held for future development,” see the section headed “Business—Property Operations—Classification of the Portfolio Assets” in this Prospectus.
- (4) We also own four parcels of land in Australia to be developed in the future, and are currently in the process of formulating the construction plans and as such have not included the number of properties or the GFA figures to be built on such land.

As of June 30, 2019, the portion of the Portfolio Assets that we held on our balance sheet was valued at US\$2.7 billion.

SUMMARY

Below is a summary of the Portfolio Assets held in the funds and investment vehicles we managed as of June 30, 2019. We hold minority investments in many of the funds and investment vehicles we manage. See the section headed “Business—Principal Business Activities” in this Prospectus for details of the minority interests we hold.

Country	Number of properties ⁽¹⁾	GFA of completed properties ⁽²⁾⁽³⁾	GFA of properties under construction ⁽³⁾	GFA on land held for future development ⁽³⁾
		(sqm in thousands)		
The PRC	58	2,681.8	830.2	501.4
Greater Shanghai	26	1,376.0	220.6	161.3
Greater Beijing	3	80.9	—	70.5
Greater Guangzhou	6	104.9	402.6	—
Others	23	1,120.0	207.0	269.6
Japan	22	1,230.8	1,003.5	—
Tokyo	15	672.6	608.8	—
Osaka	4	426.4	361.1	—
Nagoya	3	131.8	33.6	—
South Korea	25	980.5	629.5	543.9
Singapore	74	1,686.8	N/A	N/A
Australia	28	297.3	14.7	—
New South Wales	13	122.0	14.7	—
Queensland	7	78.2	—	—
Victoria	5	84.5	—	—
Western Australia	2	6.6	—	—
South Australia	1	6.0	—	—
India	6	62.2	307.6	138.7
Total	213	6,939.3	2,785.4	1,184.0

Notes:

- (1) Includes completed properties, properties under construction and GFA on land held for future development.
- (2) Includes both stabilized and pre-stabilized completed properties. “Stabilized properties” refer to completed properties: (i) for which construction or acquisition had been completed for more than 12 months; or (ii) reached an occupancy rate of 93% or higher. “Pre-stabilized properties” refer to completed properties: (i) for which construction or acquisition had been completed for less than 12 months; or (ii) with an occupancy rate of less than 93%.
- (3) For the definitions of “completed properties,” “properties under construction,” and “GFA on land held for future development,” see the section headed “Business—Property Operations—Classification of the Portfolio Assets” in this Prospectus.

The following table summarizes our AUM by assets held on our balance sheet and in the funds and investment vehicles we managed as of June 30, 2019:

Country	Assets held on our balance sheet	Fund AUM ⁽¹⁾	AUM
	(US\$ millions)		
The PRC	1,366.9	3,020.8	4,387.7
Japan	627.0	6,929.5	7,556.5
South Korea	—	3,623.5	3,623.5
Singapore	—	2,872.0	2,872.0
Australia	651.1	651.7	1,302.8
India	11.3	480.8	492.1
Total	2,656.3	17,578.3	20,234.5

Notes:

- (1) We hold minority investments in many of the funds and investment vehicles we manage. See the section headed “Business—Principal Business Activities” in this Prospectus for details of the minority interests we hold.

SUMMARY

As part of our business, we enter into MOUs to acquire properties for our balance sheet and the funds and investment vehicles we manage. The following table summarizes the GFA under MOUs attributable to our balance sheet and the funds and investment vehicles we managed as of June 30, 2019:

Country	GFA under MOUs ⁽¹⁾ attributable to our balance sheet	GFA under MOUs ⁽¹⁾ attributable to our funds and investment vehicles (sq.m. in thousands)	Total
The PRC	1,476.4	156.3	1,632.7
Japan	—	1,282.9	1,282.9
South Korea	—	1,866.2	1,866.2
Australia	17.0	—	17.0
India	—	1,983.8	1,983.8
Total	<u>1,493.4</u>	<u>5,289.2</u>	<u>6,782.6</u>

Note:

(1) GFA under MOUs represents total estimated GFA upon completion based on construction plans of properties with respect to which we have entered into non-binding memoranda of understanding for our future acquisition or development but have not entered into master investment agreements with regulatory authorities or private landowners. There is uncertainty as to whether any MOUs will result in completed transactions. For more information on the risks related to the MOUs, see the section headed “Risk Factors—Risks Relating to Our Business and Industry—We may not be able to acquire land in desirable locations on commercially reasonable terms, and we may be unable to complete acquisitions of property assets and successfully operate acquired properties” in this Prospectus.

From July 1, 2019 up to the Latest Practicable Date, we have completed additional acquisitions for our balance sheet representing GFA of approximately 0.15 million sq.m. in the PRC and additional acquisitions for the funds and investment vehicles we manage representing GFA of approximately 0.20 million sq.m. in South Korea and 0.22 million sq.m. in India. As of the Latest Practicable Date, we also entered into a number of MOUs to acquire properties for our balance sheet representing GFA of approximately 2.6 million sq.m. in the PRC and MOUs to acquire properties for the funds and investment vehicles we manage of approximately 5.9 million sq.m., representing GFA of approximately 0.6 million sq.m. in the PRC, 1.5 million sq.m. in Japan, 1.8 million sq.m. in South Korea, 2.0 million sq.m. in India and 17,020 sq.m. in Australia.

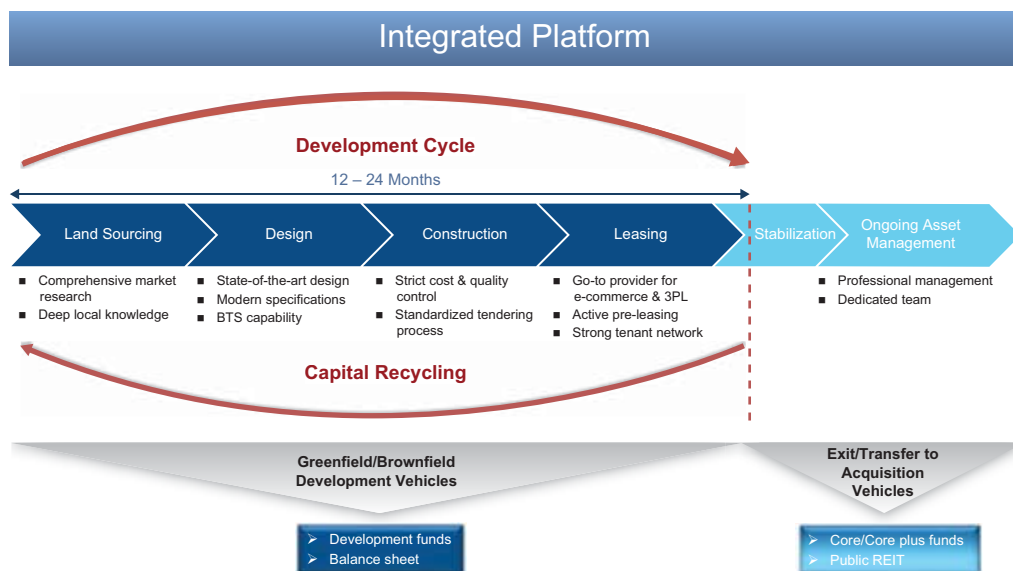
HISTORY

Our Company was formed from the merger of e-Shang and the Redwood group in January 2016. E-Shang was co-founded in 2011 by WP OCIM and Mr. Jinchu Shen, who has substantial experience in modern logistics facilities in the PRC, with the goal of establishing a platform to capitalize on the dynamic growth of the PRC economy. The Redwood group was founded in 2006 by Mr. Stuart Gibson and Mr. Charles Alexander Portes, who have substantial experience in the development of modern logistics real estate in Asia, to focus on modern logistics development in Japan. By the time of the merger between e-Shang and the Redwood group, e-Shang was a fully integrated development and investment management business in the PRC with a strong emerging business in South Korea. In January 2017, we expanded our platform into the Singapore market, shortly followed by our entry into the Indian market. In October 2017, we entered the Australian market through the acquisitions of a minority equity stake in Propertylink (an ASX-listed internally-managed REIT specializing in Australian industrial and office investments) and an equity stake in Centuria (an ASX-listed property funds manager), and in August 2018 we acquired a 100% equity interest in CIP (an integrated development group with national presence in Australia that has a track record of development of commercial and industrial real estate projects, totaling over US\$1.8 billion in value as of December 31, 2018) as the base platform upon which to grow our Australian business. As

SUMMARY

of June 30, 2019, we owned a 14.8% stake in Centuria. In April 2019, we completed our acquisition of Propertylink. See the section headed “Business—The Propertylink Acquisition” in this Prospectus for further information.

OUR BUSINESS MODEL



We use in-house capabilities to source, design, construct, lease and manage the Portfolio Assets. We have expertise throughout the development cycle and actively source ground-up (greenfield) and re-development (brownfield) opportunities across APAC. We design and construct modern logistics properties that meet the evolving needs of tenants and lease these properties to e-commerce companies, 3PL providers, bricks-and-mortar retailers, manufacturers, cold-chain logistics providers and others, as they continue to expand their logistics infrastructure in APAC. Our development team works closely with our local and regional leasing and operations teams, enhancing our ability to deliver and rapidly lease-up modern logistics facilities.

We scale our business by deploying both our own capital and that of pooled funds and investment vehicles, which span the spectrum of both risk and liquidity. We develop logistics properties through our own balance sheet and the development funds and investment vehicles that we manage, which leverage our development capabilities. We utilize a capital recycling strategy when we dispose of stabilized assets to the core/core-plus funds and investment vehicles we manage, and potentially to REITs, in order to realize development profits which can then be used for future projects. During the Track Record Period, we disposed of a total of 12 completed properties in the PRC with an aggregate value of approximately US\$572.4 million from our balance sheet, and a total of six completed properties with an aggregate value of approximately US\$959.0 million from a development fund that we manage, in both cases, to certain of the core funds that we manage where we maintain an interest in the assets through our fund interests and continue to collect recurring fees. In June 2019, we effected the transfer of 50% of the interest in a logistics property in Japan at a purchase price of JPY4,395.0 million (approximately US\$40.5 million), which was held jointly by two of our development funds, to a new private REIT in Japan which we recently established. Going forward we intend to continue effecting disposals of properties when appropriate to funds and investment vehicles we manage, such as certain properties held by Propertylink. Pursuant to our capital recycling strategy,

SUMMARY

we determine the types of assets to dispose from our balance sheet, and the timing of such disposals, based on our evaluation of a number of factors, including (i) the amount of rental revenue and capital appreciation an asset would generate if kept on our balance sheet, (ii) potential investments into which we could redeploy capital upon disposal of an existing asset, (iii) the fees that we could generate from an asset if it were held in a fund or investment vehicle we manage, and (iv) the investment mandates of our funds and investment vehicles. We generally consider the disposal of a property once it has been completed, and we prioritize the disposal of our balance sheet properties to the funds and investment vehicles we manage in order to manage assets for the long term where our fund mandates permit. We retain the option to dispose of assets to third-parties if we deem it appropriate to do so. The synergies between our development and core/core-plus funds and investment vehicles give us the opportunity to manage the underlying assets throughout their useful lives and build recurring revenue streams. We can acquire, develop and own assets that fit our capital partners' risk-reward profiles and still capture opportunities using our own balance sheet which may not fall within the investment criteria of the funds and investment vehicles we manage. The flexibility of this dual approach helps us avoid a time consuming search for a co-investor on each individual project and provides future capital partners with visibility over the assets on our balance sheet that might form a fund or investment vehicle.

We also use our balance sheet to grow our business through the acquisition of private and public platforms in prospective growth markets. For example, in January 2017, we expanded into the Singapore market and obtained control of the ESR-REIT Manager. In April 2019, we completed our acquisition of Propertylink in Australia. See the section headed "Business—The Propertylink Acquisition" in this Prospectus for further information. In June 2019, we completed the Sabana Manager Acquisition in Singapore. As we continue to expand the business, we have and will continue to utilize our business model to acquire local expertise and assemble business teams in each of our markets of operation. See the section headed "Business—Principal Business Activities—Development" in this Prospectus for further details.

Our Company is organized into business units based on our products and services and has three reportable operating segments as follows:

- *Development.* We earn development profit through the development, construction and sale of completed properties on our balance sheet. Our development profit includes construction income (as a result of the consolidation of CIP since August 2018), fair value gains on investment properties under construction and gains on disposal of subsidiaries. We also derive pro rata earnings and pro rata value appreciation through the development activities of the development funds and investment vehicles we manage in proportion to our co-investments in those funds and investment vehicles.
- *Fund management.* We earn fee income from managing the underlying assets on behalf of our capital partners via the funds and investment vehicles we manage. Our fees include base management fees, asset management fees, acquisition fees, development fees and leasing fees. We also participate in a disproportionate share of profits (a "**promote**") upon exceeding a pre-determined target IRR and after our capital partners have received their targeted capital returns.
- *Investment.* Our investment segment is divided into three main categories: (i) completed properties that we hold on our balance sheet, from which we derive rental income and appreciation in value; (ii) our co-investments in the funds and investment vehicles and the public REIT we manage, from which we derive dividend income, pro rata earnings and/or pro rata value appreciation; and (iii) other investments.

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Since March 2019, we consolidated the results of operations of Propertylink in our investment and fund management segments. For further information, see the section headed “Financial Information—Segmentation” in this Prospectus.

As of June 30, 2019, we owned or managed: (i) completed GFA of 8.5 million sq.m; (ii) GFA under construction of 4.4 million sq.m; and (iii) GFA on land held for future development of approximately 2.4 million sq.m. As of June 30, 2019, 71.5% of the Portfolio Assets in terms of GFA were held by the funds and investment vehicles that we manage, with the rest held on our balance sheet.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors:

- we are the largest APAC focused logistics real estate platform;
- we have an integrated development platform with strong project sourcing and execution capabilities, complemented by our efficient capital recycling strategy;
- our fund management platform provides us with high margin and stable fee income largely independent of property values;
- our platform is supported by a network of high-quality tenants and capital partners with whom we have strong and long-standing relationships;
- we have a proven ability to grow organically and to execute opportunistic M&A transactions to expand our capabilities, broaden the scope of the Portfolio Assets, and support our growth in the logistics real estate industry; and
- we are led by a strong management team and backed by reputable shareholders.

For a detailed discussion of these competitive strengths, see the section headed “Business—Competitive Strengths and Strategies—Competitive Strengths” in this Prospectus.

OUR GROWTH STRATEGIES

Our goal is to expand on our position as a leading logistics real estate and fund management platform in APAC. We intend to pursue the following growth strategies to achieve this goal:

- continue to execute our integrated strategy and capitalize on the significant market opportunities across APAC;
- leverage our scale and geographic presence to expand into new growth markets to deepen our regional connectivity;
- expand our fund management platform across geographies, strategies and liquidity profiles and attract new capital partners while bringing existing capital partners across markets; and
- strategically explore and expand into adjacent businesses and investment products within Asia.

For a detailed discussion of these strategies, see the section headed “Business—Competitive Strengths and Strategies—Strategies” in this Prospectus.

SUMMARY

CUSTOMERS

Tenants

The Portfolio Assets are leased to a broad range of large and mid-sized, multinational and domestic tenants that require logistics and distribution facilities, including e-commerce companies, 3PL providers, bricks-and-mortar retailers, manufacturers, cold-chain logistics providers and others. 3PL providers serve end-users in a large variety of industries, including e-commerce, electronics, fast-moving consumer goods, retail and fast food chains, general logistics services, auto and parts, pharmaceuticals, and medical instruments and machinery. We seek to be a regional partner for our tenants, with a goal to be the single point of contact to design and build a multi-market distribution network for tenants throughout the PRC, Japan, South Korea, Singapore, Australia and India.

In 2016, 2017 and 2018 and for the six months ended June 30, 2019, rental revenue generated from the single largest tenant of our balance sheet properties accounted for approximately 19.7%, 12.6%, 9.3% and 9.8%, respectively, of our total revenue. For the same periods, rental revenue attributable to the five largest tenants of our balance sheet properties accounted for approximately 40.7%, 25.8%, 17.4% and 13.8%, respectively, of our total revenue. Our five largest tenants for each year during the Track Record Period are independent third parties. In 2016 and 2017, three of our five largest tenants were e-commerce companies and two were bricks-and-mortar retailers. In 2018, two of our five largest tenants were e-commerce companies, two were manufacturers and one was a bricks-and-mortar retailer. For the six months ended June 30, 2019, one of our five largest tenants was an e-commerce company, one was a bricks-and-mortar retailer and three were manufacturers.

We expect the percentage of revenue attributable to our five largest tenants to decrease in the future as we increase the proportion of the Portfolio Assets held in the funds and investment vehicles we manage.

Funds and Investment Vehicles

We manage 30 funds and investment vehicles and generate revenue from the management of those funds and investment vehicles. In 2016, 2017 and 2018 and for the six months ended June 30, 2019, revenue generated from the single largest fund we managed on the basis of management fee income accounted for approximately 10.9%, 12.2%, 12.0% and 8.8%, respectively, of our total revenue. For the same periods, revenue attributable to the five largest funds and investment vehicles we managed, all of which were development funds and investment vehicles, accounted for approximately 34.0%, 31.5%, 27.9% and 23.8%, respectively, of our total revenue.

SUPPLIERS

Our suppliers primarily consist of construction companies, property management companies, interior designers and commercial real estate brokers. In 2016, 2017 and 2018 and for the six months ended June 30, 2019, transaction amounts with our single largest supplier accounted for approximately 16.7%, 20.3%, 10.8% and 11.3%, respectively, of our total purchase amount incurred in the period. For the same periods, transaction amounts with our five largest suppliers in aggregate accounted for approximately 35.5%, 38.1%, 20.0% and 19.0%, respectively, of our total purchase amount incurred in the period. These suppliers are mostly construction contractors. As we select contractors on a project basis, we do not rely on any single contractor despite the relatively high contribution of our largest or five largest contractors/suppliers to our cost incurred in a given period. Our five largest suppliers are independent third parties.

SUMMARY

COMPETITION

We face competition from other large international and domestic developers, owners and operators of other logistics facilities and fund managers and, within any specific individual market, also from smaller and local players. We compete with other providers for locations and sites for future logistics facilities as well as tenants. For a discussion of the key players in the industry and regions in which we operate, see the JLL Report included in Appendix IV of this Prospectus.

RISK FACTORS

Our business and the Global Offering involve certain risks as set out in “Risk Factors” in this Prospectus. You should read that section in its entirety carefully before you decide to invest in our Shares. Some of the major risks we face include:

- our business is concentrated in APAC and may be affected by regional and global economic and political developments;
- the success of our business depends on our ability to service the rising demand of the e-commerce and 3PL sectors in APAC and the sustainability of this rising demand in APAC;
- we operate a multinational business in APAC with a relatively short operating history and are subject to complex operational risks which may be difficult to address;
- our business is intensely competitive;
- the returns from investments in the Portfolio Assets could be adversely affected by fluctuations in the income generated from, and the value of, the Portfolio Assets and other factors, including the concentration of the Portfolio Assets in the logistics real estate sector;
- our profitability may be affected by revaluation of the properties held on our balance sheet, as well as the properties held by the funds and investment vehicles that we manage;
- we may not be able to secure capital resources, either through equity or debt financing, on commercially reasonable terms, or at all;
- we depend on our senior management team and certain key senior personnel as well as skilled employees;
- we may face difficulties in realizing the benefits of any acquisitions and successfully integrating acquired businesses, including Propertylink; and
- we may not be successful in executing our business strategy, including the expansion into new geographical locations and adjacent businesses.

PROPERTY VALUATION

All of our completed investment properties and investment properties under construction were revalued on December 31, 2016, 2017 and 2018 and June 30, 2019 (save as disclosed below) based on valuations performed by independent professionally qualified valuers and industry specialists in investment property valuation, including Beijing Colliers International Real Estate Valuation Co., Ltd., CBRE Valuation Pty Limited, Jones Lang LaSalle Advisory Services Pty Ltd and Cushman & Wakefield K.K., at fair value. In determining fair value of the Portfolio Assets, a combination of

SUMMARY

approaches and methods were used, including the Direct Comparison Method and Discounted Cash Flow Method. A combination of valuation approaches and methods are used because suitable valuation methods for properties may vary depending on the nature of the property and available information. For example, for a development project in very early stages where future cash flows are less certain, a comparative approach to valuation may be more reliable. On the other hand, during more mature stages of development where projected cash flows can be determined more accurately, a discounted cash flow method may be more suitable. Certain investment properties recently acquired were revalued as of June 30, 2019 with reference to (i) their purchase price or (ii) the independent valuation performed at the time of the acquisition. For further details on each of the valuation methods, see the section headed “Financial Information—Analysis of Selected Consolidated Statements of Financial Position Items—Investment Properties” in this Prospectus. See Note 20 to the Accountant’s Report in Appendix I to this Prospectus for details of the key inputs used in the valuation techniques. In connection with the Listing, we engaged property valuers to value our directly held investment properties in the PRC, Japan and Australia as of September 30, 2019 pursuant to the relevant requirements under the Listing Rules. The text of their respective letters, summaries of valuation and the valuation certificates are set forth in Appendix VI to this Prospectus.

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following is a summary of our consolidated financial information for the periods and as of the dates indicated. We have derived the summary from our consolidated financial information set forth in the Accountants’ Report in Appendix I to this Prospectus. The below summary should be read together with the consolidated financial information in Appendix I to this Prospectus, including the accompanying notes and the information set forth in the section headed “Financial Information” in this Prospectus. Our consolidated financial information has been prepared in accordance with IFRS.

Summary Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth our consolidated results of operations for the periods indicated.

	Year Ended December 31,			Six Months Ended June 30,	
	2016	2017	2018	2018	2019
				(unaudited)	
	(US\$ in thousands)				
Revenue	96,737	153,289	254,148	93,690	155,763
Cost of sales	(2,655)	(3,487)	(43,742)	(2,058)	(41,808)
Gross Profit	94,082	149,802	210,406	91,632	113,955
Other income and gains	135,145	284,118	254,305	75,665	165,425
Administrative expenses	(57,722)	(106,843)	(154,567)	(55,193)	(91,621)
Fair value loss on derivative financial instruments	(12,133)	—	—	—	—
Finance costs	(55,992)	(90,903)	(104,929)	(45,943)	(83,363)
Share of profits and losses of joint ventures and associates, net	36,352	37,000	65,372	14,801	18,317
Profit before tax	139,732	273,174	270,587	80,962	122,713
Income tax expense	(34,888)	(72,340)	(57,709)	(17,271)	(38,636)
Profit for the year/period	104,844	200,834	212,878	63,691	84,077

SUMMARY

	Year Ended December 31,			Six Months Ended June 30,	
	2016	2017	2018	2018	2019
				(unaudited)	
	(US\$ in thousands)				
Attributable to:					
Owners of the parent	88,267	186,265	203,042	61,793	75,950
Non-controlling interests	16,577	14,569	9,836	1,898	8,127
Profit for the year/period	104,844	200,834	212,878	63,691	84,077
Non-IFRS measures:					
Adjusted net profit ⁽¹⁾⁽²⁾	36,217	61,912	110,048	39,877	9,391
Adjusted EBITDA ⁽¹⁾⁽³⁾	106,014	181,935	239,586	96,420	125,167

Notes:

- (1) This is a non-IFRS measure. To supplement our consolidated results which are prepared and presented in accordance with IFRS, we also use adjusted net profit and adjusted EBITDA as additional financial measures, which are not required by, or presented in accordance with IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. The use of these non-IFRS measures have limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies. Our presentation of this non-IFRS measure should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. For reconciliations between these non-IFRS measures and IFRS measures, see the section headed “Financial Information—Non-IFRS Measures—Reconciliation” in this Prospectus for further details.
- (2) We define adjusted net profit as our profit for the year, adding back certain non-cash items, including write-off related to loss of property, plant and equipment, fair value loss on derivative financial instruments, exchange loss/(gain), and equity-settled share option expense, along with certain non-recurring items excluding one-off insurance compensation and fair value gains on completed investment properties and investment properties under construction, and adjusting for the effect of taxes on these adjustments.
- (3) We define adjusted EBITDA as our profit before tax, adding back depreciation and amortization, exchange loss/(gain), finance costs, equity-settled share option expense, fair value loss on derivative financial instruments, write-off related to loss of property, plant and equipment and the listing expenses, and eliminating the effect of interest income, one-off insurance compensation and fair value gains on completed investment properties and investment properties under construction.

The increases in our revenue during the Track Record Period were attributable to: (i) increases in rental income; (ii) increases in management fee income; (iii) for the year ended December 31, 2018, the inclusion of construction income as a result of the consolidation of CIP following the completion of our acquisition of CIP in August 2018; and (iv) the consolidation of Propertylink into our Group in March 2019.

The increase in our cost of sales during the six months ended June 30, 2019 was primarily due to the construction cost as a result of the consolidation of CIP, which we acquired in August 2018. The increase in our administrative expenses during the six months ended June 30, 2019 was primarily attributable to the increase in wages and salaries along with our business expansion, in particular our integration of the businesses of Propertylink and CIP and professional fees incurred by us. The increase in our total bank loans and other borrowings as of June 30, 2019 was primarily due to the consolidation of loans of Propertylink as a result of our acquisition of Propertylink and the bonds issued by us in the first half of 2019 to finance our business growth.

We recorded finance costs of US\$56.0 million, US\$90.9 million, US\$104.9 million, US\$45.9 million and US\$83.4 million for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively, which accounted for approximately 254.1%, 249.8%, 132.3%, 197.1% and 580.2% of the net cash generated from our operating activities in the same periods, respectively.

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Reconciliation for Non-IFRS Measures

The following tables set forth the reconciliations of our non-IFRS financial measures for the periods indicated to the nearest measures prepared in accordance with IFRS:

	Year Ended December 31,			Six Months Ended June 30,	
	2016	2017	2018	2018	2019
	(US\$ in thousands)				
Profit for the year/period	104,844	200,834	212,878	63,691	84,077
Add:					
Write-off related to loss of property, plant and equipment ⁽¹⁾	—	—	9,632	—	—
Fair value loss on derivative financial instruments ⁽²⁾	12,133	—	—	—	—
Exchange loss/(gain) ⁽³⁾	(916)	(4,431)	869	41	1,761
Equity-settled share option expense ⁽⁴⁾	75	11,923	23,157	11,961	9,885
Tax effects of adjustments	26,640	48,804	44,317	10,341	17,229
Less:					
One-off insurance compensation	—	—	(8,338)	—	—
Fair value gains on completed investment properties ⁽⁵⁾	(100,799)	(95,179)	(109,688)	(37,396)	(26,800)
Fair value gains on investment properties under construction ⁽⁶⁾	(5,760)	(100,039)	(62,779)	(8,761)	(76,761)
Adjusted net profit	36,217	61,912	110,048	39,877	9,391

Notes:

- (1) Represents a write-off of property, plant and equipment due to the damage of certain solar assets in Japan by a typhoon in September 2018.
- (2) Represents an one-off fair value loss on derivative financial instruments related to warrant instruments in connection with certain loan facilities entered into in December 2013 and August 2015. Upon the repayment of the relevant loans in November 2016, no additional fair value gain or loss related to these warrant instruments is recognized in 2017 and subsequent years.
- (3) Represents the exchange loss/(gain) related to foreign currency translation impacts. Foreign currency translations are volatile in nature and depend primarily on movements in the global exchange rates and the macroeconomic environment, both of which are beyond our control. We do not consider exchange loss/(gain) directly related to our ability to generate revenue from our daily operations, and therefore this line item has been adjusted to facilitate comparison of our operating performance across periods.
- (4) Represents share-based compensation expenses incurred in connection with our pre-IPO share option schemes. We do not consider such amounts indicative of our profit from operations post-completion of our Listing, and therefore we believe that adjusting for share-based compensation expenses incurred in connection with our pre-IPO share option schemes in the past periods will facilitate the comparison of our operating performance across periods.
- (5) Represents the fair value gains on completed investment properties that the Company holds on its balance sheet. The completed investment properties are subject to periodic revaluation by independent property valuers.
- (6) Represents the development-profit related appreciation of the Company's under-construction balance-sheet properties. They are primarily affected by the construction progress of these projects (and to a lesser extent by factors such as rental growth and capitalization rates) which in turn, determines the development-related appreciation that we are able to generate on these projects.

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	Year Ended December 31,			Six Months Ended June 30,	
	2016	2017	2018	2018	2019
	(US\$ in thousands)				
Profit before tax	139,732	273,174	270,587	80,962	122,713
Add:					
Depreciation and amortization	6,059	8,061	10,226	4,655	7,296
Exchange loss/(gain) ⁽¹⁾	(916)	(4,431)	869	41	1,761
Finance costs	55,992	90,903	104,929	45,943	83,363
Equity-settled share option expense ⁽²⁾	75	11,923	23,157	11,961	9,885
Fair value loss on derivative financial instruments ⁽³⁾	12,133	—	—	—	—
Write-off related to loss of property, plant and equipment ⁽⁴⁾	—	—	9,632	—	—
Listing Expenses ⁽⁵⁾	—	—	2,521	—	5,478
Less:					
Interest income	(502)	(2,477)	(1,530)	(985)	(1,768)
One-off insurance compensation	—	—	(8,338)	—	—
Fair value gains on completed investment properties ⁽⁶⁾	(100,799)	(95,179)	(109,688)	(37,396)	(26,800)
Fair value gains on investment properties under construction ⁽⁷⁾	(5,760)	(100,039)	(62,779)	(8,761)	(76,761)
Adjusted EBITDA	106,014	181,935	239,586	96,420	125,167

Notes:

- (1) Represents the exchange loss/(gain) related to foreign currency translation impacts. Foreign currency translations are volatile in nature and depend primarily on movements in the global exchange rates and the macroeconomic environment, both of which are beyond our control. We do not consider exchange loss/(gain) directly related to our ability to generate revenue from our daily operations, and therefore this line item has been adjusted to facilitate comparison of our operating performance across periods.
- (2) Represents share-based compensation expenses incurred in connection with our pre-IPO share option schemes. We do not consider such amounts indicative of our profit from operations post-completion of our Listing, and therefore we believe that adjusting for share-based compensation expenses incurred in connection with our pre-IPO share option schemes in the past periods will facilitate the comparison of our operating performance across periods.
- (3) Represents an one-off fair value loss on derivative financial instruments related to warrant instruments in connection with certain loan facilities entered into in December 2013 and August 2015. Upon the repayment of the relevant loans in November 2016, no additional fair value gain or loss related to these warrant instruments is recognized in 2017 and subsequent years.
- (4) Represents a write-off of property, plant and equipment due to the damage of certain solar assets in Japan by a typhoon in September 2018.
- (5) Represents the listing expenses in connection with the proposed Global Offering.
- (6) Represents the fair value gains on completed investment properties that the Company holds on its balance sheet. The completed investment properties are subject to periodic revaluation by independent property valuers.
- (7) Represents the development-profit related appreciation of the Company's under-construction balance-sheet properties. They are primarily affected by the construction progress of these projects (and to a lesser extent by factors such as rental growth and capitalization rates) which in turn, determines the development-related appreciation that we are able to generate on these projects.

SUMMARY

Summary Operating Segment Information

The table below sets forth the line items that comprise the segment results for each of our three reportable operating segments, which are reported and prepared based on our consolidated statement of profit or loss and other comprehensive income, together with a reconciliation, for the periods indicated. See the section headed “Financial Information—Segmentation” in this Prospectus for more information about the line items comprising the segments.

	Year Ended December 31,			Six Months Ended June 30,	
	2016	2017	2018	2018	2019
	(US\$ in thousands)				
(unaudited)					
Development Segment					
Segment revenue	—	—	40,665	—	37,661
Fair value gains on investment properties under construction	5,760	100,039	62,779	8,761	76,761
Changes in fair value of financial assets and liabilities at fair value through profit or loss	23,792	8,497	31,741	16,014	22,107
Share of profits and losses of joint ventures and associates	27,151	26,505	35,200	12,059	726
Gain on disposal of subsidiaries	32	38,311	2,662	—	16,495
Allocable operating expenses	(6,548)	(11,793)	(57,544)	(4,626)	(51,305)
Development segment result	50,187	161,559	115,503	32,208	102,445
Fund Management Segment					
Segment revenue	46,464	94,268	135,579	59,033	61,784
Share of profits and losses of joint ventures and associates	—	—	—	—	557
Allocable operating expenses	(7,291)	(14,897)	(25,978)	(11,803)	(12,467)
Fund management segment result	39,173	79,371	109,601	47,230	49,874
Investment Segment					
Segment revenue	50,273	59,021	77,904	34,657	56,318
Fair value gains on completed investment properties	100,799	95,179	109,688	37,396	26,800
Changes in fair value of financial assets and liabilities at fair value through profit or loss	2,936	24,242	13,196	2,355	711
Share of profits and losses of joint ventures and associates	9,201	10,495	30,172	2,742	17,034
Dividend income	—	10,679	25,519	9,771	11,848
Allocable operating expenses	(13,833)	(16,683)	(22,887)	(8,047)	(13,387)
Investment segment result	149,376	182,933	233,592	78,874	99,324
Total segment result	238,736	423,863	458,696	158,312	251,643
Reconciliation:					
Depreciation and amortization	(6,059)	(8,061)	(10,226)	(4,655)	(7,296)
Exchange gain/(losses)	916	4,431	(869)	(41)	(1,761)
Interest income	502	2,477	1,530	985	1,768
Other unallocated gains	408	234	7,190	653	379
Corporate and other unallocated expenses ⁽¹⁾	(26,571)	(46,973)	(57,648)	(16,388)	(28,772)
Finance costs	(55,992)	(90,903)	(104,929)	(45,943)	(83,363)
Equity-settled share option expense	(75)	(11,923)	(23,157)	(11,961)	(9,885)
Fair value loss on derivative financial instrument	(12,133)	—	—	—	—
Gain on deemed partial disposal of a joint venture	—	29	—	—	—
Profit before tax from continuing operations	139,732	273,174	270,587	80,962	122,713

SUMMARY

Note:

- (1) Corporate and other unallocated expenses relate primarily to head office and corporate expenses that are not directly attributable to operations of the reportable segments, and thus cannot be allocated to any of the reportable operating segments. They primarily comprised professional services fees related to our financing and M&A activities, operating costs such as lease expenses and maintenance costs which are not directly related to any business segment, and other miscellaneous expenses like bank service fees, meeting and office expenses, travel and welfare expenses and entertainment fees, which are not directly related to any of the operating segments. The increase in corporate and other unallocated expenses from US\$26.6 million in 2016 to US\$47.0 million in 2017, and further to US\$57.7 million in 2018, and from US\$16.4 million for the six months ended June 30, 2018 to US\$28.8 million for the six months ended June 30, 2019 was primarily led by increases in professional services fees, leasing expenses and other expenses. We consistently monitor the results of our operating segments excluding these unallocated expenses for the purpose of making decisions about resource allocation and performance assessment.

Fluctuations in fair value gains on completed investment properties and fair value gains on investment properties under construction could significantly affect our performance. See the sections headed “Financial Information—Principal Components of Our Consolidated Statement of Profit or Loss—Other Income and Gains—Fair Value Gains on Completed Investment Properties and Fair Value Gains on Investment Properties Under Construction,” “Financial Information—Segmentation—Investment Segment” and “Financial Information—Segmentation—Development Segment” in this Prospectus for further information.

Summary Consolidated Statements of Financial Position

	As of December 31,			As of
	2016	2017	2018	June 30,
	(US\$ in thousands)			2019
Non-current assets	1,584,442	2,386,490	3,562,491	4,684,441
Current assets	517,100	668,378	869,109	1,261,563
Current liabilities	109,538	162,362	855,373	1,087,274
Net current assets	407,562	506,016	13,736	174,289
Non-current liabilities	1,141,700	1,185,866	1,258,305	2,419,836
Net assets	850,304	1,706,640	2,317,922	2,438,894
Total Equity	850,304	1,706,640	2,317,922	2,438,894

Summary Consolidated Statements of Cash Flows

	Year Ended December 31,			Six Months Ended	
	2016	2017	2018	2018	2019
	(US\$ in thousands)			(unaudited)	
Net cash generated from operating activities	22,039	36,396	79,340	23,306	14,367
Net cash used in investing activities	(264,271)	(472,801)	(786,778)	(463,706)	(583,970)
Net cash generated from financing activities	522,081	526,691	688,677	445,394	1,008,912
Net increase/(decrease) in cash and cash equivalents	279,849	90,286	(18,761)	4,994	439,309
Cash and cash equivalents at beginning of year	144,319	411,765	526,988	526,988	502,056
Effect of foreign exchange rate changes, net	(12,403)	24,937	(6,171)	372	2,254
Cash and cash equivalents at end of year/period	411,765	526,988	502,056	532,354	943,619

SUMMARY

Major Financial Ratios

The following table sets forth the major financial ratios as of, or for, the periods indicated.

	As of or For the Year Ended December 31,			As of or For the Six Months Ended June 30,
	2016	2017	2018	2019
Return on average equity ⁽¹⁾	16.7%	15.7%	10.6%	N/A
Current ratio ⁽²⁾	472.1%	411.7%	101.6%	116.0%
Net gearing ratio ⁽³⁾	16.6%	7.6%	19.8%	30.2%

Notes:

- (1) Return on average equity is calculated using net profit divided by the average of total equity at the beginning and at the end of the year.
- (2) Current ratio is calculated by dividing current assets by current liabilities at the end of each year or period.
- (3) Net gearing ratio is calculated by dividing net debt, defined as total bank loans and other borrowings less cash and bank balances, by total assets at the end of each year or period.

THE PROPERTYLINK ACQUISITION

In April 2019, we completed our acquisition of 100% of the securities of Propertylink. Propertylink is an internally-managed REIT previously listed on the ASX, specializing in Australian industrial and office investments. Propertylink also co-invests in funds with institutional investors from North America, Europe, the Middle East, Asia and Australia. As of March 20, 2019, being the date on which Propertylink was consolidated into our Group, Propertylink managed 58 industrial and office properties, including assets managed under its co-invested funds as well as assets held under its wholly-owned industrial portfolio. Following our acquisition, Propertylink was delisted from the ASX on April 26, 2019. The three entities that comprised Propertylink were de-stapled on May 30, 2019. For further information on our acquisition of Propertylink, see the sections headed “History, Development and Corporate Structure—Propertylink Acquisition” and “Business—The Propertylink Acquisition” in this Prospectus.

Propertylink had revenue of approximately AUD21.7 million, AUD137.0 million and AUD175.1 million (approximately US\$119.1 million) for the years ended June 30, 2016, 2017 and 2018, respectively, and approximately AUD108.3 million (approximately US\$73.7 million) for the period from July 1, 2018 to March 20, 2019. As of June 30, 2016, 2017, 2018 and March 20, 2019, it had total assets of approximately AUD59.9 million, AUD802.3 million, AUD942.6 million (approximately US\$641.3 million) and AUD1,133.1 million (approximately US\$771.0 million), respectively. Following our acquisition of Propertylink, our rental income, management fees, administrative expenses and finance costs for the six months ended June 30, 2019 increased due to the consolidation of Propertylink into our Group in March 2019. The consolidation of Propertylink into our Group also contributed to the increase in our total assets as of June 30, 2019. In addition, our total bank loans and other borrowings as of June 30, 2019 increased as a result of our consolidation of the loans and other borrowings of Propertylink. For more information about the impact of the acquisition of Propertylink on our financial performance and position, see “Financial Information—Comparison of Results of Operations—Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018” and “Financial Information—Analysis of Selected Consolidated Statements of Financial Position Items” in this Prospectus. We have included pre-acquisition financial information of Propertylink in Appendices II-A and II-B to this Prospectus. For further information about the historical financial results of Propertylink, see the section headed “Financial Information—Financial Information of Propertylink.”

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As of March 20, 2019, the majority of the assets managed by Propertylink were fully developed as Propertylink was not heavily engaged in development. Following the completion of the Propertylink Acquisition and pursuant to our capital recycling strategy, we plan to own and manage certain of these assets within our Group and to transfer certain of these assets into new funds and investment vehicles managed by us. For more information, see the paragraph headed “—Recent Developments—Material Developments—New Australia Fund” in this section.

As of June 30, 2019, Propertylink contributed US\$1.2 billion to our AUM, consisting of US\$591.1 million and US\$651.7 million to our balance sheet and Fund AUM, respectively. For more information on the risks related to our acquisition of Propertylink, see the section headed “Risk Factors—Risks Relating to Our Business and Industry—We may not realize the expected benefits of our acquisition of Propertylink” in this Prospectus.

RECENT DEVELOPMENTS

New Australia Fund

In line with our capital recycling strategy, in August 2019 we entered into an umbrella agreement with managed vehicles of China Merchant Capital Fund (“**CMC Fund**”) in connection with the establishment of a new joint venture in Australia (the “**New Australia Fund**”), the formation of which is subject to certain conditions precedent, including obtaining relevant regulatory approvals and confirmations and external financing. It is proposed that CMC Fund will hold an 80% interest in the New Australia Fund and we will hold the remaining 20% interest, and our initial total capital commitment is expected to be approximately AUD35 million (approximately US\$23.8 million). We expect ESR Australia to manage the New Australia Fund, which is proposed to acquire warehouse and logistics facilities located in various locations on the east coast of Australia, in particular Sydney and Melbourne. Pursuant to the umbrella agreement, the New Australia Fund has been established in order to hold 11 of Propertylink’s wholly-owned properties following a group restructuring which is expected to be completed by the end of 2019, subject to obtaining the relevant regulatory approvals.

Kawajima Acquisition

In August 2019, we acquired a logistics property in Kawajima, near Tokyo, Japan for a purchase price of JPY8.74 billion (approximately US\$80.5 million) from one of our development funds to facilitate the ultimate transfer of the property to a new Japan fund which will serve as a vehicle for the acquisitions of typically smaller and/or longer-established assets in Japan which are not part of the mandate of the Japan Core Fund. The establishment of this vehicle will provide another tool for us to aggregate logistics assets in Japan either from transfers from the development funds we manage that meet the investment criteria, or acquisitions from third-party sellers.

India Partnership

In July 2019, we entered into a strategic alliance with Future Group through Future Market Networks Ltd (stock codes: NSE: FMNL, BSE:533296) to develop logistics infrastructure assets in India. We expect to collaborate with this partner to jointly develop two state-of-the-art industrial and warehousing parks in the cities of Nagpur and Jhajjar to service the northern and central regions in India. The relevant land costs and the total estimated development costs are expected to be approximately US\$42 million. We hope to set new standards for the warehousing and industrial real estate sector through this collaboration, which we believe will benefit from the burgeoning e-

SUMMARY

commerce growth in these regions in India. The two sites have a total area of approximately 305,000 sq.m. and planned GFA of approximately 122,000 sq.m. We commenced development on these two sites in September 2019. We, as the majority partner, are expected to hold approximately 51% interest in this partnership at the development stage and to acquire the remaining interest in this partnership following the completion of the development by the end of September 2020.

Material Developments

After due and careful consideration, our Directors confirm that, up to the date of this Prospectus, there has been no material adverse change in our financial and trading position or prospects since June 30, 2019, the end of the Track Record Period, save as disclosed above, and no event has occurred since June 30, 2019 which would materially affect the information shown in the Accountants' Report set forth in Appendix I to this Prospectus.

PRE-IPO INVESTMENTS

We have received eight rounds of investment since our establishment. We granted warrants to Goldman Sachs Investments Holdings (Asia) Limited (“**Goldman Sachs**”) entitling Goldman Sachs to certain shares at a nominal value as part and parcel of, and in consideration of the performance by Goldman Sachs of its obligations under a facility agreement. Other details of our Pre-IPO Investments are as follows.

Date of initial share subscription agreement	Name of Shareholder(s)	Date of last payment of consideration	Total number of shares under the share subscription agreement(s)	Cost per share paid ⁽¹⁾	Total funds raised by the Company	Discount to the Offer Price ⁽²⁾	Valuation of our Company as of the date of initial share subscription agreement ⁽³⁾
1. January 9, 2014 ⁽⁴⁾	Goldman Sachs Investments Holdings (Asia) Limited	January 19, 2018 ⁽⁴⁾	54,684,608 Class B2 Shares	US\$0.0013 per Class B2 Share ⁽⁴⁾	US\$70,000 ⁽⁴⁾	99.99%	n/a ⁽⁴⁾
2. May 26, 2014	APG-Stichting	May 27, 2014	316,567,534 Class B3 Shares	US\$0.5054 per Class B3 Share	US\$160,000,000	76.4%	US\$0.79 billion
3. December 23, 2016	Chinese Institutional Investors ⁽⁵⁾	January 4, 2017	245,359,810 Class C Preference Shares	US\$1.2227 per Class C Preference Share	US\$300,000,000	42.9%	US\$2.89 billion
4. July 31, 2017	SK ⁽⁶⁾	August 3, 2017	261,930,955 Class B6 Shares	US\$1.2726 per Class B6 Share	US\$333,333,333	40.5%	US\$3.40 billion
5. November 29, 2017	StepStone	November 28, 2017	70,721,358 Class B7 Shares	US\$1.2726 per Class B7 Share	US\$90,000,000	40.5%	US\$3.49 billion
6. November 29, 2017	General Electric Pension Trust	November 29, 2017	39,289,643 Class B3 Shares	US\$1.2726 per Class B3 Share	US\$50,000,000	40.5%	US\$3.54 billion
7. April 24, 2018	Jingdong Logistics Group Corporation	May 10, 2018	240,578,861 Class B8 Shares	US\$1.5169 per Class B8 Share	US\$306,160,659 ⁽⁷⁾	29.1%	US\$4.58 billion
8. May 28, 2018	Montsoreau Investment Limited	June 15, 2018	26,363,847 Class B9 Shares	US\$1.5172 per Class B9 Share	US\$40,000,000	29.1%	US\$4.63 billion

Notes:

(1) Not adjusted to reflect subsequent share splits and other capital reorganizations, as applicable.

(2) The discount to the Offer Price is calculated on the assumption that the Offer Price is HK\$16.80 per Share, being the mid-point of the indicative Offer Price range of HK\$16.20 to HK\$17.40.

(3) This refers to the post-money valuation of our Company, being the sum of the pre-money valuation and the amount of new equity.

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- (4) We granted warrants to Goldman Sachs entitling Goldman Sachs to certain shares at nominal value as part and parcel of, and in consideration of the performance by Goldman Sachs of its obligations under a facility agreement dated December 4, 2013 (as amended and restated on August 19, 2015) which has been fully repaid. Such warrants were granted pursuant to the warrant instruments dated January 9, 2014 (as amended and restated on August 27, 2015) and August 27, 2015, respectively. Such warrants were exercised in full on January 19, 2018 for the subscription of a total of 54,684,608 Class B2 Shares. For further details, see the section headed “History, Development and Corporate Structure—Major Shareholding Changes of our Company” in this Prospectus. Since the warrants were granted pursuant to the warrant instruments as part and parcel of, and in consideration of the performance by Goldman Sachs of its obligations under the facility agreement, the consideration of the warrants was not determined with reference to the valuation of our Company, but the nominal value of our Shares instead.
- (5) For further details of the Chinese Institutional Investors, please refer to the section headed “History, Development and Corporate Structure—Information about the Principal Pre-IPO Investors—Chinese Institutional Investors” on page 155 to page 156 of this Prospectus.
- (6) On September 14, 2018 and September 21, 2018, SK entered into sale and purchase agreements to purchase 18,633,334 Class B4 Shares and 55,975,003 Class B3 Shares from Redwood Consulting and APG-Stichting, respectively. See the section headed “History, Development and Corporate Structure—Major Shareholding Changes of our Company” in this Prospectus for further details.
- (7) Part of the consideration was satisfied by contributions and/or commitments made by Jingdong Logistics Group Corporation under strategic business cooperation arrangements with our Company.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), WP OCIM will hold 24.1% (if Luckfield Global Limited is a Selling Shareholder) or 23.6% (if Luckfield Global Limited is not a Selling Shareholder) of the total issued Shares.

DIVIDENDS

We are a holding company incorporated under the laws of the Cayman Islands. Subject to the Cayman Companies Law and our Articles of Association, the Directors may from time to time declare dividends (including interim dividends) and other distributions on Shares in issue and authorize payment of the same out of the funds lawfully available therefor, including out of profits and from our share premium account, at their discretion; we, by ordinary resolution, may declare dividends, but no dividend shall exceed the amount recommended by the Directors; and the payment of any dividend or other distribution in specie shall be subject to the Directors’ approval and Shareholders’ approval by ordinary resolution.

We paid a distribution of US\$4.1 million, US\$8.2 million and US\$4.1 million to holders of subordinated perpetual capital securities, which primarily comprised institutional, accredited and other specified investors (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited), in 2017 and 2018 and for the six months ended June 30, 2019, respectively. We did not declare or distribute any dividend to our Shareholders during the Track Record Period. We currently intend to retain most, if not all, of our available funds to operate and expand our business. Following the completion of the Global Offering, we have no immediate plan to pay any dividends to our Shareholders. However, the Board will review our dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid: our result of operations, our cash flows, our financial condition, our Shareholders’ interests, our capital requirements, the payment by our subsidiaries of cash dividends to us, general business conditions and strategies, the economic climate and other factors the Board may deem relevant. Our future dividend payments to our Shareholders will also depend upon the availability of dividends received from our subsidiaries and the statutory fund reserve requirements in the jurisdiction of our subsidiaries. For example, PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles. PRC laws also require PRC enterprises to set aside part of their net profit as statutory reserves before they make a distribution. These statutory reserves are not available for

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distribution as cash dividends. The payment of dividends may also be limited by legal restrictions and by financing agreements that are existing and that we may enter into in the future. There can be no assurance that dividends of any amount will be declared or distributed in any year.

GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offering of 34,700,000 Offer Shares (subject to reallocation and the Offer Size Adjustment Option) in Hong Kong, as described in the section headed “Structure of the Global Offering—The Hong Kong Public Offering” in this Prospectus; and
- (ii) the International Offering of initially 618,980,000 Offer Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option): (a) in the United States to QIBs in reliance on Rule 144A or another available exemption; and (b) outside the United States in reliance on Regulation S (including to professional and institutional investors in Hong Kong).

The Offer Shares will represent approximately 21.5% of the issued share capital of our Company immediately following completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised). If the Offer Size Adjustment Option and the Over-allotment Option are exercised in full, the Offer Shares will represent approximately 28.5% of the issued share capital of our Company immediately following completion of the Global Offering. As no new Shares will be issued under the Offer Size Adjustment Option and the Over-allotment Option (as all Offer Shares being offered under the Offer Size Adjustment Option and the Over-allotment Option will be existing Shares), there will be no dilution effect on investors’ potential shareholding, nor will any additional proceeds be raised by the Company.

LISTING EXPENSES

Our listing expenses in connection with the Global Offering consist primarily of underwriting commission, incentive fees and professional fees, and are estimated to be approximately US\$36.7 million (assuming that the Global Offering is conducted at the mid-point of the Offer Price range). During the Track Record Period, we incurred listing expenses of US\$10.1 million, of which US\$8.0 million was charged to our consolidated statements of comprehensive income during the Track Record Period, while the remaining amount of US\$2.1 million was included in prepayments and will be subsequently charged to equity upon completion of the Global Offering. We estimate that underwriting commission, incentive fees and other listing expenses of approximately US\$26.6 million will be incurred after June 30, 2019, of which approximately US\$12.2 million will be charged to the consolidated statements of comprehensive income and US\$14.4 million will be charged to equity upon completion of the Global Offering. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate. The listing expenses above will not adversely affect our results of operations for the year ended December 31, 2019.

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OFFERING STATISTICS

All statistics in the following table are based on the assumption that the Global Offering has been completed and 280,140,000 New Shares are issued pursuant to the Global Offering.

	Based on an Offer Price of HK\$14.58 per Offer Share, after a Downward Offer Price Adjustment of 10%	Based on an Offer Price of HK\$16.20 per Offer Share	Based on an Offer Price of HK\$17.40 per Offer Share
Market capitalization of our Shares ⁽¹⁾	HK\$44,252,975,109	HK\$49,187,150,192	HK\$52,842,093,652
Unaudited pro forma adjusted consolidated net tangible asset per Share ⁽²⁾	HK\$ 6.62	HK\$ 6.76	HK\$ 6.87

Notes:

- (1) The calculation of market capitalization is based on 3,036,243,839, 3,036,901,934 or 3,035,183,478 Shares expected to be in issue based on an Offer Price of HK\$16.20, HK\$17.40 or HK\$14.58, being the final Offer Price under the Downward Offer Price Adjustment, per Share, respectively, immediately upon completion of the Global Offering, further information of which is set out in the section headed “History, Development and Corporate Structure—Capitalization of the Company” in this Prospectus. For these purposes it is assumed that the Listing Date is Friday, November 1, 2019.
- (2) The unaudited pro forma adjusted consolidated net tangible asset per Share upon the completion of the Global Offering is calculated after making the adjustments referred to in “Appendix III—Unaudited Pro Forma Financial Information” in this Prospectus.

USE OF PROCEEDS

Assuming an Offer Price of HK\$16.80 per Offer Share (being the mid-point of the stated range of the Offer Price of between HK\$16.20 and HK\$17.40 per Offer Share) and regardless of whether the Offer Size Adjustment Option and the Over-allotment Option are exercised, we estimate that we will receive net proceeds of approximately HK\$4,418.8 million (approximately US\$563.3 million) from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering. We intend to use the net proceeds from the Global Offering for the following purposes and in the amounts set out below, subject to changes in light of our evolving business needs and changing market conditions:

- approximately 71.7%, or HK\$3,168.2 million (approximately US\$403.9 million), for the repayment of the Hana Notes that were issued in November 2016 and redemption of the Class C Preference Shares that were issued in December 2016 and that have not been converted into ordinary shares. See the sections headed “Financial Information—Indebtedness—Bank Loans and Other Borrowings” and “—Redeemable Convertible Preference Shares” in this Prospectus for further details; and
- approximately 28.3%, or HK\$1,250.6 million (approximately US\$159.4 million), for the development of logistics properties on our own balance sheet and making co-investments in the funds and investment vehicles we manage.

To the extent that our actual net proceeds from the Global Offering is higher or lower than our estimate above, we will increase or decrease our allocation of the net proceeds for the purposes set out above after the repayment of the Hana Notes and the redemption of the Class C Preference Shares that are not converted. If we make a Downward Offer Price Adjustment to set the final Offer Price of HK\$14.58 per Offer Share, the net proceeds we will receive from the Global Offering will be approximately HK\$3,809.4 million (approximately US\$485.6 million).

SELLING SHAREHOLDERS

We estimate the net proceeds to the Selling Shareholders from the sale of Sale Shares pursuant to the Global Offering, assuming the Offer Size Adjustment Option and Over-allotment Option are not

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exercised, to be approximately HK\$6,149.5 million (approximately US\$784.0 million) (assuming an Offer Price of HK\$16.80 per Offer Share, being the mid-point of the indicative Offer Price range and no Downward Offer Price Adjustment is made), after deducting the underwriting commission and estimated related expenses payable by the Selling Shareholders. We will not receive net proceeds from the sale of Sale Shares pursuant to the Global Offering, whether or not the Offer Size Adjustment Option or the Over-allotment Option is exercised.

DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following expressions have the following meanings.

“2016 Merger”	the merger between e-Shang, Redwood and Redwood Asian Investments Ltd., pursuant to the Merger Agreement in January 2016
“3PL”	third-party logistics
“AUD” or “Australian dollars”	Australian dollars, the lawful currency of Australia
“APAC”	Asia-Pacific region
“APG-AM”	APG Asset Management N.V., an asset management firm incorporated in the Netherlands and the manager of APG-Stichting, which is one of the Pre-IPO Investors
“APG Group”	a conglomerate based in the Netherlands, which provides management consulting, asset management, pension administration, communication and employer services for pension funds in its group’s pension market
“APG-Stichting”	Stichting Depositary APG Strategic Real Estate Pool as depositary of APG Strategic Real Estate Pool, a foundation founded in the Netherlands and a Pre-IPO Investor
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN applications form(s) or, where the context so requires, any of them that are used in connection with the Hong Kong Public Offering
“Articles” or “Articles of Association”	the articles of association of the Company adopted on October 12, 2019, which will become effective upon the Listing Date, as amended from time to time, a summary of which is set out in Appendix VII to this Prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“ASX” or “Australian Stock Exchange”	ASX Limited and the financial market operated by it named Australian Securities Exchange
“Audit Committee”	the audit committee of the Board
“AUM”	the sum of (i) the fair value of the properties directly held on our balance sheet and (ii) Fund AUM.
“Bidder’s Statement”	the bidder’s statement we (through our subsidiary, ESR Australia) served on November 19, 2018 on Propertylink in relation to the Propertylink Offer, which contained the terms of the Propertylink Offer

DEFINITIONS

“Blackwood Group”	Blackwood Trust, Blackwood Investment Pte. Ltd., Sabana Investment Partners Pte. Ltd., Sabana Property Management Pte. Ltd. and Sabana Real Estate Investment Management Pte. Ltd.
“Board” or “Board of Directors”	our board of Directors
“BTS”	build-to-suit
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Cayman Companies Law” or “Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Centuria”	the Centuria Capital Group, consisting of two stapled entities listed on the Australian Stock Exchange (Stock Code: CNI) namely, Centuria Capital Limited and Centuria Capital Fund and their respective subsidiaries, in which our Group acquired a 14.9% equity stake in October 2017
“China Everbright”	China Everbright Securities International Structured Finance Company Limited, a limited liability company incorporated in Hong Kong on April 11, 2016 and a Pre-IPO Investor
“Chinese Institutional Investors”	Bohai Investment Holding Limited, Mercury Beta Investment Limited, Emerald Ewood (Cayman) Limited,

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	China Everbright, Luckfield Global Limited, CMBC International Holdings Limited, SF Project (Cayman) Limited
“CIP”	CIP Constructions (Australia) Pty Ltd (formerly known as Commercial & Industrial Property Pty Ltd), a commercial company established in Australia on June 12, 2003 and an indirect subsidiary of our Company following the acquisition in August 2018
“Class A Shares”	the Class A ordinary shares, with a par value of US\$0.001 each, in the share capital of our Company
“Class B Shares”	prior to the capital reorganization on May 26, 2014, means the Class B ordinary shares of par value of US\$0.001 each and after that date, means each of the Class B1 Shares, Class B2 Shares, Class B3 Shares, Class B4 Shares, Class B5 Shares, Class B6 Shares, Class B7 Shares, Class B8 Shares and each of the Class B9 Shares, as and when each class was created through further capital reorganizations in the share capital of our Company
“Class B1 Shares”	the Class B1 ordinary shares, with a par value of US\$0.001 each, in the share capital of our Company
“Class B2 Shares”	the Class B2 ordinary shares, with a par value of US\$0.001 each, in the share capital of our Company
“Class B3 Shares”	the Class B3 ordinary shares, with a par value of US\$0.001 each, in the share capital of our Company
“Class B4 Shares”	the Class B4 ordinary shares, with a par value of US\$0.001 each, in the share capital of our Company
“Class B5 Shares”	the Class B5 ordinary shares, with a par value of US\$0.001 each, in the share capital of our Company
“Class B6 Shares”	the Class B6 ordinary shares, with a par value of US\$0.001 each, in the share capital of our Company
“Class B7 Shares”	the Class B7 ordinary shares, with a par value of US\$0.001 each, in the share capital of our Company
“Class B8 Shares”	the Class B8 ordinary shares, with a par value of US\$0.001 each, in the share capital of our Company
“Class B9 Shares”	the Class B9 ordinary shares, with a par value of US\$0.001 each, in the share capital of our Company

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“Class C Preference Shares”	the Class C preference shares, with a par value of US\$0.001 each, in the share capital of our Company, referred to as the Redeemable Convertible Preference Shares in the Accountants’ Report included in Appendix I to this Prospectus
“Class C Shares”	the Class C ordinary shares, with a par value of US\$0.001 each, in the share capital of our Company
“CNLP”	China Logistics Property Holdings Co., Ltd., a company incorporated in the Cayman Islands on November 12, 2013, whose shares are listed on the Hong Kong Stock Exchange (Stock Code: 1589) in which our Group holds an equity interest of approximately 13.7% as of the Latest Practicable Date
“Companies Ordinance” or “Hong Kong Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company” or “our Company”	ESR Cayman Limited (formerly known as e-Shang Cayman Limited, Asia Logistics Limited and e-Shang Redwood Limited), an exempted company incorporated in the Cayman Islands with limited liability on June 14, 2011
“connected person”	has the meaning ascribed to it in the Listing Rules
“CPPIB”	Canada Pension Plan Investment Board, a Canadian Crown corporation established under the 1997 Canada Pension Plan Investment Board Act and an investor in funds managed by our Group
“CSRC”	China Securities Regulatory Commission of the PRC
“Director(s)”	the director(s) of our Company
“Downward Offer Price Adjustment”	an adjustment that has the effect of setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range
“e-Shang”	e-Shang Cayman Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands on June 14, 2011 and the pre-merger entity of our Company prior to the 2016 Merger

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“E-Shang Star”	E-Shang Star Cayman Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands on April 16, 2014 and a joint venture of our Company
“EIT Law”	the Enterprises Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which was promulgated by the Standing Committee of the NPC on March 16, 2007 and last amended on December 29, 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) which was promulgated by the State Council on December 6, 2007 and with effect from January 1, 2008
“EIT rate”	enterprise income tax rate
“Elite Bond”	Elite Bond Limited, a company incorporated in BVI on May 4, 2011 and an initial shareholder of e-Shang that exited as shareholder in August 2017, and owned by an affiliate of an ex-director of our Company
“ESOP Shareholders”	Laurels and WP OCIM
“ESR Australia”	ESR Real Estate (Australia) Pty Ltd, a company limited by shares incorporated in Australia on April 24, 2018 and an indirect subsidiary of our Company
“ESR Japan”	ESR LTD, a joint stock corporation (<i>kabushiki kaisha</i>) incorporated in Japan on May 8, 2006 and an indirect wholly-owned subsidiary of our Company
“ESR-REIT”	a REIT formerly known as Cambridge Industrial Trust, established in March 2006 and listed on the Singapore Stock Exchange (Stock Code: J91U) since July 2006, in which we hold approximately 8.78% of the units as of the Latest Practicable Date
“ESR-REIT Manager”	ESR Funds Management (S) Limited, formerly known as Cambridge Industrial Trust Management Limited, a company incorporated in Singapore on September 14, 2005, an indirect non-wholly owned subsidiary of our Company and the manager of ESR-REIT
“EUR”	the lawful currency of the member states of the European Union
“Existing Articles”	the amended and restated memorandum and articles of association of our Company adopted by special resolution of the Shareholders passed on September 16, 2019

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“External Acquisition Facility”	an AUD230 million (approximately US\$156.5 million) share acquisition bridging facility under which external debt was provided to us, in connection with our acquisition of Propertylink, which has been refinanced with debt that is secured by the underlying assets of Propertylink
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
“FIEs”	foreign invested enterprises
“Fund AUM”	the sum of: (i) the fair value of the properties held in the private funds and investment vehicles we manage; (ii) the total uncalled capital commitments in the private funds and investment vehicles we manage; (iii) the additional debt that is estimated to be incurred with reference to the target leverage ratio of the relevant private funds and investment vehicles we manage when all capital is called and invested; and (iv) the appraised carrying value of ESR-REIT.
“GDP”	gross domestic product
“GFA”	gross floor area
“Global Offering”	the Hong Kong Public Offering and the International Placing
“Goodman Group”	Goodman Group, consisting of three stapled entities listed on the Australian Stock Exchange (Stock Code: GMG), namely, Goodman Logistics (HK) Limited, Goodman Limited and Goodman Industrial Trust, and their respective subsidiaries
“GP”	general partner
“GREEN application form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “the Group”, “we” or “us”	our Company and our subsidiaries, or where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the subsidiaries as if they were the subsidiaries of our Company at the time
“GST”	goods and services tax
“Hana Notes”	US\$300 million notes due 2019 issued by our Company to Hana Private Real Estate Investment Trust No. 16 and Hana Private Real Estate Investment Trust No. 17

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“HK\$” or “Hong Kong dollars” or “HK dollars” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Public Offer Shares”	the 34,700,000 New Shares initially offered by our Company for subscription pursuant to the Hong Kong Public Offering together with, where relevant, any additional Shares which may be offered pursuant to the exercise of the Offer Size Adjustment Option (subject to reallocation as described in the section headed “Structure of the Global Offering” in this Prospectus)
“Hong Kong Public Offering”	the offer of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this Prospectus and the Application Forms
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Stock Exchange,” “Stock Exchange” or “HKSE”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting—Hong Kong Underwriters” in this Prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated October 21, 2019 relating to the Hong Kong Public Offering and entered into among our Company, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters as further described in the section headed “Underwriting” in this Prospectus
“IFRS”	International Financial Reporting Standards, amendments and interpretations issued by the International Accounting Standards Board
“independent third party(ies)”	any party(ies) who is/are not connected (within the meaning of the Listing Rules) with our Company so far as the Directors are aware after having made reasonable enquiries

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“India”	the Republic of India
“Indirect Transfer”	an indirect transfer by a non-resident enterprise of the equity interests of a mainland Chinese resident enterprise by disposition of the equity interests of an overseas non-public holding company, as defined in SAT Circular 698 in the PRC
“Infinitysub Group”	Infinitysub Pte. Ltd. (formerly known as Nabinvest Oxley Singapore Pte. Ltd.), ESR Investment Management Pte. Ltd. (formerly known as Cambridge Real Estate Investment Management Pte. Ltd.), ESR Funds Management (S) Limited (formerly known as Cambridge Industrial Trust Management Limited) and ESR Property Management (S) Pte. Ltd. (formerly known as Cambridge Industrial Property Management Pte. Ltd.)
“Internal Equity Commitment”	existing cash and cash equivalents sources within our Group including pursuant to an equity commitment letter for up to AUD352 million (approximately US\$239.5 million), in connection with our acquisition of Propertylink
“International Placing Shares”	the 618,980,000 Offer Shares (comprising 245,440,000 New Shares and 373,540,000 Sale Shares), initially being offered in the International Placing together with, where relevant, any additional Shares which may be sold pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option (subject to reallocation as described in the section headed “Structure of the Global Offering” in this Prospectus)
“International Placing”	the offer and sale of the International Placing Shares by our Company and the Selling Shareholders through the International Underwriters at the Offer Price in offshore transactions outside the United States in accordance with Regulation S under the U.S. Securities Act and within the United States to QIBs under the U.S. Securities Act or any other available exemption from registration under the U.S. Securities Act, as further described in the section headed “Structure of the Global Offering” in this Prospectus
“International Underwriters”	the international underwriters for the International Placing, that are expected to enter into the International Underwriting Agreement to underwrite the International Placing
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or around Friday, October 25, 2019 by, among others, our

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	Company, the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) and the Selling Shareholders in respect of the International Placing, as further described in the section headed “Underwriting” in this Prospectus
“IPO Implementation Deed”	the IPO implementation deed dated October 18, 2019 entered into between, inter alia, each existing Shareholder, Mr. Jinchu Shen and our Company in respect of certain shareholder arrangements for the purpose of the Listing, as further described in the section headed “History, Development and Corporate Structure—IPO Implementation Arrangements” in this Prospectus
“IRR”	internal rate of return
“JLL”	Jones Lang LaSalle Limited, an industry consultant
“JLL Report”	the market research report prepared by JLL
“Joint Bookrunners”	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering), Morgan Stanley & Co. International plc (in relation to the International Placing), Deutsche Bank AG, Hong Kong Branch, CCB International Capital Limited, China International Capital Corporation Hong Kong Securities Limited, Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Placing), CLSA Limited, Crédit Agricole Corporate and Investment Bank, Hong Kong Branch (in relation to the Hong Kong Public Offering), Crédit Agricole Corporate and Investment Bank (in relation to the International Placing), Credit Suisse (Hong Kong) Limited, DBS Asia Capital Limited, Goldman Sachs (Asia) L.L.C., Mirae Asset Securities (HK) Limited and UOB Kay Hian (Hong Kong) Limited
“Joint Global Coordinators”	Morgan Stanley Asia Limited, Deutsche Bank AG, Hong Kong Branch, Citigroup Global Markets Asia Limited, Credit Suisse (Hong Kong) Limited and Goldman Sachs (Asia) L.L.C.
“Joint Sponsors”	Deutsche Securities Asia Limited and CLSA Capital Markets Limited
“JPY” or “Japanese Yen”	Japanese yen, the lawful currency of Japan
“KM ESOP”	the employee stock incentive scheme adopted by the Company on November 24, 2017 as amended from time to time, the principal terms of which are set out in the section headed “Statutory and General Information—D. KM

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	ESOP, Tier 1 ESOP and Post-IPO Share Option Scheme— 1. KM ESOP” in Appendix VIII to this Prospectus
“LAT”	land appreciation tax in the PRC
“Latest Practicable Date”	October 13, 2019, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information contained in this Prospectus
“Laurels”	Laurels Capital Investments Limited, a business company incorporated with limited liability under the laws of the BVI on May 4, 2011 and an original investor of our Company, which is owned by The Shen Trust, whose sole beneficiary is an associate of Mr. Jinchu Shen, one of our executive Directors
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Friday, November 1, 2019 on which dealings in the Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“modern logistics facilities”	logistics facilities typically characterized by large floor plates, high ceilings, wide column spacing, spacious and modern loading docks as well as enhanced safety systems and other value-added features
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Major Subsidiary(ies)”	35 entities that we consider our major subsidiaries primarily responsible for the results of our Group during the Track Record Period as further described in the section headed “History, Development and Corporate Structure—Our Major Subsidiaries” in this Prospectus
“Measures”	Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2019) (《外商投資准入特別管理措施(負面清單)(2019年版)》) promulgated by MOFCOM and the NDRC on June 30, 2019 effective as of July 30, 2019

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“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company (as amended from time to time), adopted on October 12, 2019, which will become effective upon the Listing Date, a summary of which is set out in Appendix VII to this Prospectus
“Merger Agreement”	a merger and subscription agreement dated November 3, 2015 and entered into between, amongst others, our Company and Redwood Investor, as amended by an amendment agreement dated December 27, 2015
“MOFCOM”	the Ministry of Commerce of the PRC
“MOU”	Memorandum of Understanding
“NDRC”	the National Development and Reform Commission of the PRC
“New Share(s)”	the Shares to be offered by our Company for subscription at the Offer Price pursuant to the Global Offering
“Nomination Committee”	the nomination committee of the Board
“NPC”	National People’s Congress of the PRC
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$17.40 and expected to be not less than HK\$16.20, at which the Hong Kong Public Offer Shares are to be subscribed for and to be determined in the manner further described in the section headed “Structure of the Global Offering—Pricing and Allocation” in this Prospectus and subject to any Downward Offer Price Adjustment
“Offer Share(s)”	the Hong Kong Public Offer Shares and the International Placing Shares together with, where relevant, any additional Shares to be offered pursuant to the exercise of the Offer Size Adjustment Option and Over-allotment Option
“Offer Size Adjustment Option”	the option granted by the Offer Size Adjustment Option Grantors to the Hong Kong Underwriters under the Offer Size Adjustment Option Deed, exercisable by the Joint Global Coordinators on behalf of the Hong Kong Underwriters on or before the Price Determination Date, pursuant to which the Offer Size Adjustment Option Grantors may be required to sell up to an aggregate of

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	98,052,000 additional Shares, at the Offer Price, to cover additional market demand, if any, as described in the section headed “Structure of the Global Offering” in this prospectus
“Offer Size Adjustment Option Deed”	the offer size adjustment option deed dated October 21, 2019 relating to the Offer Size Adjustment Option and entered into among the Offer Size Adjustment Option Grantors, the Joint Global Coordinators and the Hong Kong Underwriters
“Offer Size Adjustment Option Grantors”	WP OCIM, Goldman Sachs Investments Holdings (Asia) Limited, General Electric Pension Trust and Montsoreau Investment Limited
“Over-allotment Option”	pursuant to the International Underwriting Agreement, the options to be granted by the Over-allotment Option Grantors to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), pursuant to which may be required to sell an aggregate of up to 15% of the total number of Offer Shares available under the Global Offering, including the Shares offered pursuant to the exercise of the Offer Size Adjustment Option, if any, at the Offer Price, which will be equal to 98,052,000 Sale Shares, assuming the Offer Size Adjustment Option is not exercised, or 112,759,800 Sale Shares, assuming the Offer Size Adjustment Option is fully exercised at the Offer Price, to cover over-allocation, if any, in the International Placing. For further details, please refer to the section headed “Structure of the Global Offering” in this Prospectus
“Over-allotment Option Grantors”	WP OCIM, Goldman Sachs Investments Holdings (Asia) Limited, General Electric Pension Trust and Montsoreau Investment Limited
“PML”	probable maximum loss
“Portfolio Assets”	assets our Group owns directly and those owned by the funds and investment vehicles we manage
“Post-IPO Share Option Scheme”	the post-IPO share option scheme adopted by the Company on October 12, 2019, the principal terms of which are set out in the section headed “Statutory and General Information—D. KM ESOP, Tier 1 ESOP and Post-IPO Share Option Scheme—3. Post-IPO Share Option Scheme” in Appendix VIII to this Prospectus

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“PRC” or “China”	the People’s Republic of China, but for the purposes of this Prospectus only (unless otherwise indicated) excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“PRC Government” or “State”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“PRC Legal Advisor”	Global Law Office, legal counsel as to PRC law to our Company
“Pre-IPO Investments”	the investments made by the Pre-IPO Investors, the principal terms of which are summarized in the section headed “History, Development and Corporate Structure—Pre-IPO Investments” in this Prospectus
“Pre-IPO Investor(s)”	APG-Stichting, the Chinese Institutional Investors, SK, General Electric Pension Trust, StepStone, Goldman Sachs Investments Holdings (Asia) Limited, Jingdong Logistics Group Corporation and Montsoreau Investment Limited
“Pre-IPO Shareholders’ Agreement”	the amended and restated shareholders’ agreement dated June 15, 2018, as further amended by amendment letters dated September 21, 2018, August 14, 2019 and September 16, 2019, respectively, entered into between Laurels, WP OCIM, Redwood Investor, Kurmasana Holdings, LLC, Redwood Consulting, the Pre-IPO Investors and our Company
“Price Determination Date”	the date, expected to be on or around Friday, October 25, 2019, on which the Offer Price is determined, or such later time as the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholders) may agree, but in any event no later than Thursday, October 31, 2019
“Propertylink”	one of our platforms in Australia, consisting of three entities which were stapled and listed on the Australian Securities Exchange (Stock Code: PLG) namely, ESR Asset Management (Holdings) Limited (formerly known as Propertylink (Holdings) Limited), Propertylink Trust (“PT”) and Propertylink Australian Industrial Partnership (“PAIP”) and their respective subsidiaries, which was consolidated into our Group as our subsidiary on March 20, 2019, further information on which is set out in the section

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	headed “Business—The Propertylink Acquisition” in this Prospectus
“Prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“QIBs”	qualified institutional buyers within the meaning of Rule 144A
“Redwood”	ESR Singapore Pte. Ltd. (formerly known as Redwood Group Asia Pte. Ltd.), a limited liability company incorporated in Singapore on November 27, 2007 and a direct wholly-owned subsidiary of our Company
“Redwood Consulting”	Redwood Consulting (Cayman) Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands incorporated on September 18, 2015 and which is owned as to 50.0% and 50.0% by Mr. Stuart Gibson and Mr. Charles Alexander Portes, respectively, two of our executive Directors
“Redwood Entities”	Redwood Consulting and Redwood Investor
“Redwood Investor”	Redwood Investment Company, Ltd., an exempted company incorporated with limited liability under the laws of the Cayman Islands and a shareholder of our Company following the 2016 Merger. Redwood Investor is ultimately controlled as to 50.0% and 50.0% by Mr. Stuart Gibson and Mr. Charles Alexander Portes, respectively
“Regulation S”	Regulation S under the U.S. Securities Act
“REIT”	real estate investment trust
“relevant interest”	has the meaning given in the Australian Corporations Act 2001 (Cth) and used in connection with our acquisition of Propertylink
“Relevant Persons”	the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, the Selling Shareholders, any of their or the Company’s respective directors, officers, agents, or representatives or advisers or any other person involved in the Global Offering
“Remuneration Committee”	the remuneration committee of the Board
“RMB” or “Renminbi”	the lawful currency of the PRC
“Repurchase Mandate”	the general mandate to repurchase Shares given to our Directors by our Shareholders as referred to in the section

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	headed “Statutory and General Information—A. Further Information about our Group—3. Written Resolutions of our Shareholders passed on June 4, 2019 and October 12, 2019” in Appendix VIII to this Prospectus
“Rule 144A”	Rule 144A under the U.S. Securities Act
“Sabana Manager”	Sabana Real Estate Investment Management Pte. Ltd., a company incorporated in Singapore on March 15, 2010 and an indirect non-wholly-owned subsidiary of our Company
“Sabana Manager Acquisition”	the acquisition of 51% interest in Sabana Investment Partners Pte. Ltd., the 100% shareholder of Sabana Manager by our subsidiary, InfinitySub Pte. Ltd.
“Sabana REIT”	Sabana Shariah Compliant Industrial REIT, which is listed on the Singapore Stock Exchange (Stock Code: M1GU)
“Sabana REIT Investment”	the acquisition of 104,390,903 units (representing approximately 9.9% of the then issued units of Sabana REIT) by our subsidiary, e-Shang Infinity Cayman Limited
“Sale Shares”	373,540,000 Shares to be offered for sale by the Selling Shareholders at the Offer Price under the Global Offering (before any exercise of the Offer Size Adjustment Option and the Over-allotment Option), up to 98,052,000 additional Shares pursuant to any exercise of the Offer Size Adjustment Option and up to 98,052,000 additional Shares (if the Offer Size Adjustment Option is not exercised) or 112,759,800 additional Shares (if the Offer Size Adjustment Option is exercised in full) pursuant to any exercise of the Over-allotment Option
“SAFE”	the State Administration of Foreign Exchange of the PRC
“SAT”	the State Administration of Taxation of the PRC
“Selling Shareholders”	WP OCIM, Goldman Sachs Investments Holdings (Asia) Limited, APG-Stichting, General Electric Pension Trust, Emerald Ewood (Cayman) Limited, Montsoreau Investment Limited, Jingdong Logistics Group Corporation and Luckfield Global Limited (if it sells Shares in the International Placing)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time

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“SGD” or “Singapore dollars”	Singapore dollar(s), the lawful currency of Singapore
“SGX-ST” or “Singapore Stock Exchange”	Singapore Exchange Securities Trading Limited
“Shanghai e-Shang Warehousing”	Shanghai e-Shang Warehousing Services Co., Ltd. (上海益商倉儲服務有限公司), a WFOE established in the PRC on July 8, 2011 and an indirect wholly-owned subsidiary of our Company
“Shareholder(s)”	holder(s) of our Shares
“Shares”	ordinary share(s) with a nominal value of US\$0.001 each in the capital of our Company
“Share Redesignation”	subject to the Global Offering becoming unconditional, the reclassification and re-designation of all the authorized issued and unissued Class A Shares, Class B Shares and Class C Shares into Shares
“Share Option Disclosure Requirements”	the requirements set out under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance
“SK”	SK Holdings Co., Ltd., a company incorporated in South Korea on April 13, 1991 and a Pre-IPO Investor
“Singapore”	the Republic of Singapore
“South Korea”	the Republic of Korea
“sq.m.”	square meters
“StepStone”	StepStone A Opportunities Fund, L.P. (an exempted limited liability partnership registered in the Cayman Islands), StepStone Rivas Private Equity Fund, L.P. (an exempted limited liability partnership registered in the Cayman Islands), StepStone H Opportunities Fund, L.P. (an exempted limited liability partnership registered in the Cayman Islands), StepStone AMP Opportunities Fund, L.P. (a limited partnership with designated series formed in the State of Delaware in the U.S.) and StepStone FSS Opportunities Fund, L.P. (a limited partnership with designated series formed in the State of Delaware in the U.S.), each being a Pre-IPO Investor
“Stabilizing Manager”	Morgan Stanley Asia Limited

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“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between the Over-allotment Option Grantors and the Stabilizing Manager (or its affiliate) on or around the Price Determination Date
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Companies Ordinance
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Tianjin Mingcheng”	Tianjin Mingcheng Warehousing Company Limited (天津明誠倉儲有限公司), a company incorporated in the PRC on October 28, 2013, which was transferred by our Group to NCI Core Fund on March 20, 2019
“Tier 1 ESOP”	the pre-IPO employee stock incentive scheme adopted by the Company on November 3, 2015 as amended from time to time, the principal terms of which are set out in the section headed “Statutory and General Information—D. KM ESOP, Tier 1 ESOP and Post-IPO Share Option Scheme—2. Tier 1 ESOP” in Appendix VIII to this Prospectus
“Tier 1.5 cities”	China’s Tier 1.5 cities as top second tier cities that have separated themselves from other tier 2 cities to sit just below the level of Tier 1 cities, based on an analysis of a range of economic, business and property indicators. Examples are Tianjin and Wuhan.
“Track Record Period”	the three financial years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency for the time being of the United States
“VITM”	Viva Industrial Trust Management Pte. Ltd., a company incorporated in Singapore on February 21, 2012 and the manager of VIT and which was acquired by the ESR-REIT Manager as part of the VIT Merger on October 22, 2018

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“VIM”	Viva Investment Management Pte. Ltd., a company incorporated in Singapore on June 22, 2011 and the shareholder of VITM
“VIT” or “Viva Industrial Trust”	Viva Industrial Trust, a stapled-group comprising a REIT and a business trust, both established in 2013 and listed on the Singapore Stock Exchange (Stock Code: T8B) until October 2018 and was merged with ESR-REIT pursuant to the VIT Merger
“VIT Merger”	the acquisition by ESR-REIT of all the issued and paid-up stapled securities of VIT held by the stapled security holders of VIT by way of a trust scheme of arrangement at a consideration of SGD936.7 million (approximately US\$683.0 million) in October 2018
“Warburg Pincus X”	Warburg Pincus Private Equity X, L.P., a Delaware limited partnership, and a substantial shareholder of our Company
“WFOE”	wholly foreign owned enterprises established in the PRC
“ White Form eIPO ”	the application for Hong Kong Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at <u>www.eipo.com.hk</u>
“ White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Withdrawal Mechanism”	a mechanism which requires the Company, among other things, to (a) issue a supplemental prospectus as a result of material changes in the information (such as the offer price) in this Prospectus, (b) extend the offer period and to allow potential investors, if they so desire, to confirm their applications using an opt-in approach, for example requiring investors to positively confirm their applications for Shares despite the change
“WP OCIM”	WP OCIM One LLC, a limited liability company organized under the laws of the State of Delaware of the United States of America on January 31, 2011, a substantial shareholder of our Company and controlled by Warburg Pincus X
“Wuhan Mingju”	Wuhan Mingju Supply Chain Development Company Limited (武漢明聚供應鏈發展有限公司), a company incorporated in the PRC on December 10, 2013 and was an indirect wholly-owned subsidiary of our Company until it was disposed of to one of our funds on April 18, 2019

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“Wuhan Minglong”	Wuhan Minglong Warehousing Company Limited (武漢明隆倉儲有限公司), a company incorporated in the PRC on April 18, 2013 and an indirect wholly-owned subsidiary of our Company
“%”	per cent.

Unless otherwise stated, any reference in this Prospectus to the share capital of the Company or the shareholding of a Shareholder immediately prior to completion of the Global Offering is calculated assuming that all of the pre IPO reorganization steps which are contemplated to take effect prior to the Global Offering have been effected as described in the section headed “History, Development and Corporate Structure—IPO Implementation Arrangements” in this Prospectus and assuming that: (i) the Offer Price is determined to be HK\$16.80, the mid-point of the Offer Price range; and (ii) the Listing Date is Friday, November 1, 2019.

Unless otherwise stated, any reference in this Prospectus to the share capital of the Company or the shareholding of a Shareholder after Completion of the Global Offering is calculated assuming that all of the pre IPO reorganization steps which are contemplated to take effect prior to the Global Offering have been effected as described in the section headed “History, Development and Corporate Structure—IPO Implementation Arrangements” in this Prospectus and assuming that: (i) the Offer Size Adjustment Option has not been exercised; (ii) the Over-allotment Option has not been exercised; (iii) the Offer Price is determined to be HK\$16.80, the mid-point of the Offer Price range; (iv) the Listing Date is Friday, November 1, 2019; and (v) Luckfield Global Limited is one of the Selling Shareholders.

For more details on changes to our shareholding, please see the section headed “History, Development and Corporate Structure—IPO Implementation Arrangements” in this Prospectus.

FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this Prospectus, including, without limitation, those regarding our future financial position, our strategies, plans, objectives, goals, targets and future developments in the markets where we operate or are seeking to operate, and any statements preceded by, followed by or that include the words “believe”, “expect”, “estimate”, “predict”, “aim”, “intend”, “will”, “may”, “plan”, “consider”, “anticipate”, “seek”, “should”, “could”, “would”, “continue”, or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance, achievements or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Additionally, the estimated development costs that are included under the section headed “Business” reflect our good faith estimates of such costs, and actual development costs may differ from such estimates. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- our business and prospects;
- future developments, trends and conditions in the logistics real estate industry and markets in which we operate;
- our strategies, plans, and objectives;
- general economic conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market(s) developments;
- the actions and developments of our capital partners, suppliers, customers and competitors; and
- certain statements in the section headed “Financial Information” in this Prospectus with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in the section headed “Risk Factors” and elsewhere in this Prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our views only as of the date of this Prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Prospectus might not occur. All forward-looking statements contained in this Prospectus are qualified by reference to the cautionary statements set out in this section.

In this Prospectus, statements of, or references to, our intentions or those of any Directors are made as of the date of this Prospectus. Any of these intentions may change in light of future developments.

RISK FACTORS

You should carefully consider all of the information in this Prospectus, including the following risk factors, before making any investment decision in relation to the Offer Shares. Our business, financial condition, results of operations, performance and/or prospects could be materially and adversely affected by any of these risks. The market price of the Offer Shares could fall significantly due to any of these risks, and you may lose all or part of your investment. The risks and uncertainties described below are not the only risks and uncertainties we face. In addition to the risks described below, there may be other risks and uncertainties not currently known to us or that we currently deem to be immaterial which may in the future become material risks. The risks discussed below may also include forward-looking statements and our actual results may differ substantially from those discussed in these forward-looking statements. Sub-headings are for convenience only and risk factors that appear under a particular sub-heading may also apply to one or more other sub-headings.

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks can be categorized into: (i) risks relating to our business and industry; (ii) risks relating to the presentation of the financial information in this Prospectus; and (iii) risks relating to the Global Offering. Additional risks and uncertainties presently not known to us or not expressed or implied below, or that we currently deem immaterial, could also harm our business, financial condition, results of operations, performance and/or prospects. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business is concentrated in APAC and may be affected by regional and global economic and political developments.

The economies in APAC may be adversely impacted by actual or expected decreases in the growth of the global economy, consumption and investment. Regional and global economic factors may adversely affect the economic growth in countries in which we do business, including the countries where we operate. In particular, the PRC economy has experienced slowing investments in recent period and may face additional pressures from the Sino-U.S. trade conflicts. The escalation in Sino-U.S. trade tensions and the uncertainty of a resolution of trade conflicts may further dampen the economic activities in China and APAC. As our business is focused on APAC and serves a large number of e-commerce and 3PL companies in the region, the slowing business activities in e-commerce and 3PL sectors may cause a decrease in the market demand for modern logistics facilities in the region, and as a result, our business, financial position and results of operations may be materially and adversely affected. There can be no assurance that a recession or slower economic growth globally or in APAC will not result in reduced demand for modern logistics properties, a decrease in the confidence of our tenants, capital partners and shareholders, or lower property prices in countries in which we do business. Moreover, the performance of the Portfolio Assets depends, in part, on the volumes of trade flowing through APAC, including the countries where we operate. Factors such as more favorable regulatory, taxation and tariff regimes, cheaper terminal costs, cost competitiveness of competing ports and the growth of the e-commerce and 3PL sectors may divert trade away from the region. Furthermore, our business also faces risks from the political climate in the countries in which we operate. For example, South Korea and India have experienced and may continue to experience political instability. Such political instability could have an adverse impact on the economic and social conditions of those countries, resulting in a material adverse effect on our business, financial condition, results of operations, performance and prospects in those countries.

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As of June 30, 2019, 77.9% of the Portfolio Assets in terms of GFA were located in the PRC, Japan and South Korea. Our results of operations, financial conditions, business and future growth depend, to a large extent, on the operational and financial performance of the Portfolio Assets in these markets, and the general economic conditions of APAC. Over the past decade, inflation, currency and interest rate fluctuations, and other factors have adversely affected many countries in APAC. Any further severe economic decline in APAC could adversely affect our results of operations and future growth. In addition to being affected by global, regional and local economic conditions, property values in the PRC, Japan and South Korea have in the past been affected by the supply and demand of comparable properties, rental yield fluctuations, political developments, governmental regulations and taxation, which may have a material adverse effect on our results of operations, financial conditions, business performance and prospects.

We may expand our business into other countries in APAC in connection with our business strategy, resulting in changes to our risk profile as it encompasses the risks in each of the countries or businesses which we expand into. Our results of operations, financial conditions, business performance and prospects may be materially and adversely affected by risks in these countries, including, but not limited to, risks relating to adverse economic conditions, political instability, and property market developments and dynamics.

The success of our business depends on our ability to service the rising demand of the e-commerce and 3PL sectors in APAC and the sustainability of this rising demand in APAC.

We lease a significant portion of our logistics properties to large e-commerce and 3PL tenants who require modern logistics facilities in APAC. The growth of the e-commerce and 3PL sectors in the countries where we operate has led to a significant increase in demand for modern logistics real estate and boosted the local logistics property markets. However, this trend also presents inherent risks and challenges. For example, e-commerce and 3PL tenants usually prefer large-scale, state-of-the-art logistics facilities which require significant upfront capital investments, and such tenants can be aggressive on rental rates and other contract terms. Further, these tenants generally seek facilities in or close to major metropolitan areas where land parcels suitable for the development of modern logistics properties are becoming increasingly costly due to scarcity. If we are unable to successfully identify and address these challenges, we may fail to service the rising demand of the e-commerce and 3PL sectors, which may have a material adverse effect on our business performance and prospects, results of operations, and financial condition.

In addition, there can be no assurance as to the sustainability of this rising demand in APAC. The e-commerce sector evolves rapidly with technological advancement, changes in user preferences, product and service innovation, and new industry standards and practices, any of which could render the existing products, services, technologies and/or systems obsolete and reduce the demand for logistics facilities by e-commerce tenants. The demand from the e-commerce sector may also be impacted by changes in supply chain management, for example, the shift in building fulfilment capabilities in-house by some e-commerce platforms in the PRC. The development of the 3PL sector in APAC has been primarily driven by rising domestic consumption as a result of the rise of modern retailing operations, as well as increases in income levels, changing consumption patterns, the adoption of new technologies and advancement in supply chain management. Any negative trend in the e-commerce and 3PL sectors in the countries where we operate may materially and adversely affect our business, financial condition, results of operations, performance and prospects.

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We operate a multinational business in APAC with a relatively short operating history and are subject to complex operational risks which may be difficult to address.

Our Company was incorporated in 2011. We expanded organically and through acquisitions. After the 2016 Merger, we expanded into Singapore, Australia and India, and now operate in six countries in APAC, including the PRC, Japan, South Korea, Singapore, Australia and India, and we actively evaluate opportunities in other countries into which we may expand. Consequently, we face risks and challenges associated with operating a multinational business with a relatively short operating history. These risks and challenges include, without limitation:

- unpredictability as to whether we can maintain the same or similar growth and profitability as we have achieved in the Track Record Period;
- difficulty in successfully operating the Portfolio Assets located across our six current operating countries, as well as any countries we may expand into;
- difficulty in integrating any businesses and assets we have acquired or we may acquire;
- conflicts in allocating our senior management's time and our resources among the projects and countries where we operate and as between the assets held on our balance sheet and through the funds and investment vehicles we manage;
- difficulty in building, implementing and maintaining standardized operational and information technology systems, and internal controls;
- difficulty in staffing, managing and maintaining a high caliber employee base;
- managing communication and integration problems arising from cultural differences and geographic dispersion;
- potentially lengthy decision-making processes resulting from multiple layers of regional and local management;
- difficulty in tailoring and implementing our business strategies to local markets, and monitoring the status of business expansion in local markets;
- difficulty in striking a balance between central oversight and control and delegation of authority to local offices;
- multiple competitive pressures from a diverse competitive environment at the local level;
- difficulty in maintaining standards of construction and leasing consistent with our quality standards;
- difficulty in attracting and maintaining well-resourced capital partners in our various markets;
- exposure to the risk of harm to our reputation which could develop rapidly across the markets where we operate; and
- compliance with a wide variety of laws and regulations.

Further, our limited track record, in particular in Australia and India, may subject us to additional operational risks, such as attracting and retaining capable management and expertise, a lack of communication channels with local government and greater unfamiliarity with local commercial practices. As we continue to expand our operations in multiple jurisdictions, we may continue to face these risks and may have difficulty managing and administering a geographically dispersed business in

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APAC. We are also subject to risks relating to the lack of transparency of some of the real estate markets in which we operate. Market information such as rents, vacancies and lease expiration dates at other logistics properties not operated by us may not be available to us, as such information may not be disclosed publicly and we have limited resources to access such information. We may also need to expend additional funds to, among other things, successfully operate businesses in multiple countries, integrate business teams, improve cost efficiency, achieve expected synergies and capture growth opportunities in various markets. Our success in growing our business will depend, in part, on our ability to anticipate and effectively manage these and other risks related to international operations. Any failure by us to effectively manage the challenges associated with the international operations could materially adversely affect our results of operations, financial conditions, business performance and prospects.

Our business is intensely competitive.

Our fund management business faces significant competition from other private funds, specialist investment funds, hedge fund sponsors, financial institutions, corporate buyers and other parties. In particular, our fund management business faces competition in the pursuit of capital partners and in seeking profitable investment opportunities, while ESR-REIT and new REITs that we may manage or invest in in the future face competition primarily in acquiring additional properties. In raising capital for the funds and investment vehicles we manage, we compete primarily on quality of portfolio assets; investment performance; alignment of our interests to our capital partners' interests; categories of products provided and scope of services; quality of services provided to and relationships with capital partners; level of fees and expenses charged for services; brand recognition; and transaction execution skills. For acquisitions and investment opportunities, we compete primarily on price; speed of execution; access to market information about suitable investment opportunities; payment terms; and access to capital, among other factors. For example, REITs generally require unitholders' approval to raise funds before completion of any acquisitions, and therefore may require longer completion periods as compared to private funds and corporate buyers.

Our logistics real estate business, which primarily comprises our operations in development and investment segments, faces competition from both global large-scale logistics facilities providers and smaller-scale local players, primarily on our ability to acquire quality land and retain a quality and diverse tenant base. Competition may also come from tenants such as large e-commerce players, which may choose to build up in-house warehousing capability or enter into new markets ahead of us.

A number of factors serve to increase our competitive risks:

- some competitors are larger than us in terms of assets and revenue, and may have greater capital resources, possess better quality assets, offer more comprehensive lines of products and services, have stronger relationships with potential vendors and tenants, and have considerably greater financial, technical and marketing resources than are available to us;
- some competitors may have stronger land sourcing and execution capabilities, lower development costs and higher development margins;
- some competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments that we want to make;

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- corporate investors may be able to achieve synergistic cost savings with regard to investments in logistics properties that may provide them with a competitive advantage in bidding for such investments; and
- the entry of new players in our markets.

In addition, if competitors sell assets similar to those that we intend to divest, we may not be able to dispose of our assets on favorable terms, or at all. Furthermore, if our competitors sell similar assets at lower prices than comparable assets held or managed by us, it may have an adverse impact on the market value of these assets. Likewise, the existence of pricing competition for lettable properties may have a material adverse impact on our ability to secure tenants for the Portfolio Assets at satisfactory rental rates and on a timely basis. There is no assurance that we will be able to continue competing effectively in our industry. If we fail to compete effectively, it could have a material adverse effect on our business, financial condition, results of operations, performance and prospects.

The returns from investments in the Portfolio Assets could be adversely affected by fluctuations in the income generated from, and the value of, the Portfolio Assets and other factors, including the concentration of the Portfolio Assets in the logistics real estate sector.

Returns from investments in the Portfolio Assets depend largely upon the amount of income generated from the Portfolio Assets as well as changes in the fair market value of the Portfolio Assets. Income generated from, and/or the fair market value of, the Portfolio Assets may be adversely affected by a number of factors, including, without limitation:

- the asset classes and quality of the Portfolio Assets;
- overall economic conditions in regions where we operate, such as growth or contraction in GDP, consumer confidence or sentiment, employment trends, the level of inflation, foreign exchange rates, interest rates and the credit environment;
- local real estate market conditions, such as the level of demand for, and supply of, logistics properties;
- competitiveness of logistics properties supplied by other players with lower costs, superior locations, and better management skills and services;
- changes in legal and regulatory frameworks and government guidance eliminating favorable policies of or imposing restrictions on real estate or logistics real estate developments, leasings and maintenance, such as changes in environmental, tax, planning, tenancy or zoning laws or government guidelines;
- reduced demand from tenants arising from factors including, but not limited to, the perception of tenants of the utility and convenience of the relevant Portfolio Asset, and changes in building and system technologies, supply chain management, or local or regional infrastructure;
- our ability to procure adequate management, maintenance or insurance;
- the skills, management knowhow and professionalism of our management team and its ability to respond to changing market conditions;
- our ability to negotiate rent on favorable terms and collect rent on a timely basis;
- poor economic conditions resulting in tenants defaulting on leases or increases in vacancy rates;

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- title defects affecting the Portfolio Assets which could affect the ability of the relevant tenants to operate out of such properties; and
- external factors including major world events, such as war and terrorist attacks, and natural disasters, such as floods and earthquakes.

In addition, other factors may adversely affect the values of the Portfolio Assets without necessarily affecting their revenues and operating income, including potential environmental or other legal liabilities and unforeseen capital expenditures. As the funds and investment vehicles we manage generally have limited operating history, and some have not yet realized returns for our capital partners by selling fund assets, it is difficult to evaluate our investment performance and prospects. If we are unsuccessful in addressing any of the above-mentioned risks or challenges associated with the Portfolio Assets, our business, prospects, financial condition and results of operations may be materially and adversely affected.

Further, the funds and investment vehicles we manage and the logistics properties we own are concentrated in the logistics real estate sector, and we intend to remain focused on the logistics real estate sector, which may entail certain industry-related concentration risks. During periods of difficult market conditions or slowdowns in this sector, the rental income generated by the Portfolio Assets and/or the capital value of such properties may decline, which may further reduce return from investment of the Portfolio Assets.

Our business could be adversely affected by a fall in occupancy rates, an inability to pre-lease properties under development or lease completed properties on economically favorable terms, a failure to maintain our business relationships with our major tenants, or default by our tenants.

A significant portion of our revenue comprises: (i) rental income from the logistics properties we own; and (ii) income from our fund management business, which, to certain extent, is impacted by the rental income of the logistics properties owned by the funds and investment vehicles we manage. As a result, our performance largely depends on our ability to pre-lease properties under development, to lease completed properties or to lease developed properties as the lease terms expire, on economically favorable terms. Our lease agreements typically require quarterly or monthly fixed rate rent payments, and some of our agreements also require rent prepayments prior to completion of the property. Our leases are generally up for renewal every three to five years and the rents charged upon renewals of leases are typically adjusted based upon then prevailing market rates. Accordingly, it is possible to have a concentration of lease renewals or rent adjustments in a given year, and a slowdown in the rental market in a given year could adversely affect our rental income in that year. If a significant number of expiring or terminated leases are unable to be either promptly renewed (including leases ended pursuant to tenant lease break options), if we are not able to promptly re-let the area covered by such leases, if the rental rates upon renewal or re-letting are significantly lower than the current rates or if higher lease incentives are required in order to attract or retain tenants, our results of operations and cash flows would be adversely affected. If the pre-leased Portfolio Assets are not completed on time, the tenants of these pre-leased Portfolio Assets may be entitled to compensation for late delivery or may be able to terminate their lease agreements with us and claim damages. Therefore, if we are unable to lease the completed Portfolio Assets, or pre-lease the Portfolio Assets under construction, or complete the pre-leased Portfolio Assets on time, our business, financial condition, results of operations, performance and prospects would also be adversely affected.

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In addition, the Portfolio Assets have several major tenants. For example, for our directly-owned properties, we generate a significant portion of our rental revenue from our five largest tenants. In 2016, 2017 and 2018 and for the six months ended June 30, 2019, rental revenue from the five largest tenants of our balance sheet properties accounted for approximately 40.7%, 25.8%, 17.4% and 13.8%, respectively, of our total revenue. If one or more of those major tenants terminates or elects not to renew all or a significant portion of its or their leases and we are unable to promptly re-let the area covered by such leases on terms (including rental levels) as favorable as those currently or then existing, our results of operations and cash flows would be adversely affected. Alternatively, we may be forced to re-let the area covered by such leases to less creditworthy tenants which would expose us to a higher risk of tenant default in the future, which could materially adversely affect our results of operations and cash flows.

Further, tenants of the Portfolio Assets may at any time experience a downturn in their business that may weaken their financial conditions. Changes to local, regional and global economic conditions or other internal or external factors may cause tenants of the Portfolio Assets to downsize or close their operations. As a result, tenants may relocate, fail to make rental payments when due, require a restructure of their lease terms, sub-lease the relevant properties to third parties in breach of the head lease term, declare bankruptcy or enter into liquidation, any of which may reduce cash flow from their leases. In particular, the loss of a significant number of our tenants or major tenants of the Portfolio Assets may significantly reduce, both directly and indirectly, our future cash flows, rental income and fee income. In the event of default by a significant number of tenants or a default by any of the major tenants on all or a significant portion of their leases, we would suffer decreased rents and possibly incur substantial costs in enforcing our rights as a landlord, which could have a material adverse effect on our business, results of operations and cash flows. Moreover, as many of the major tenants of the Portfolio Assets operate in correlated sectors such as e-commerce and 3PL, these tenants may be affected by the same macro-economic factors within a region. The financial conditions of certain major tenants in one sector may also affect the tenants operating in another sector. As a result, the deterioration in the performance of the Portfolio Assets due to the major tenants' weakened financial conditions could have a material adverse effect on our business, results of operations and cash flows.

We may not be able to acquire land in desirable locations on commercially reasonable terms, and we may be unable to complete acquisitions of property assets and successfully operate acquired properties.

The sustainable growth and success of our business significantly depend on our ability to continue acquiring land in desirable locations at commercially reasonable prices that are suitable for logistics properties. Our ability to acquire land depends on a variety of factors, some of which are beyond our control, such as overall economic conditions, the availability of land parcels offered by land owners or local governments, our effectiveness in identifying and acquiring land parcels suitable for development or redevelopment, competition for such land parcels, which may be contentious and even involve legal proceedings, and the time needed to obtain relevant government approvals. Furthermore, the rapid development of certain cities in which we conduct business in recent decades has resulted in a limited supply of undeveloped land in desirable locations and at reasonable acquisition costs. Land parcels located in convenient locations or connected by quality roads, highways and railroad access may command a premium price, which may exceed our budget. If we are unable to acquire suitable land parcels for future development or redevelopment in a timely manner or at terms that generate reasonable economic returns to us, our business, financial condition, results of operations, performance and prospects may be materially and adversely affected.

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Further, we intend to continue to pursue acquisitions of property assets in the markets we operate as opportunities arise. Such acquisitions involve a number of risks inherent in assessing the values, strengths, weaknesses and profitability of the property assets. While our policy is to undertake appropriate due diligence in order to assess these risks, unexpected problems and latent liabilities such as the presence of hazardous substances, such as asbestos, or other environmental liabilities, may occur which could limit our ability to complete such acquisitions or successfully operate an asset once acquired. See “—Due diligence on acquisitions and investments, either by us or by the funds and investment vehicles we manage, may not reveal all relevant facts in connection with an acquisition or an investment, or identify all material defects or other deficiencies.”

Acquisition activities of property assets also include the following risks:

- the acquired properties may not achieve anticipated rental rates or occupancy levels, or may not be suitable for redevelopment;
- assumptions or judgments with respect to financial returns (including the occupancy rates and rents of a completed property) of acquired properties may prove inaccurate;
- we may incur unintended or unanticipated capital expenditures in connection with acquisitions or the vendors of our acquired properties may breach their obligations to us;
- we may abandon acquisition opportunities in respect of which we have incurred costs to explore. In the normal course of business we enter into a number of non-binding MOUs for land for our future acquisition or development but for which we have not entered into master investment agreements with regulatory authorities or private landowners. As of the Latest Practicable Date, we entered into a number of MOUs to acquire properties for our balance sheet representing GFA of approximately 2.6 million sq.m. in the PRC and MOUs to acquire properties for the funds and investment vehicles we manage representing GFA of approximately 5.9 million sq.m. across the PRC, Japan, South Korea, India and Australia. We cannot assure you that all of these MOUs will result in completed transactions;
- we may experience difficulty in obtaining the requisite licenses, permits, authorization or approvals from regulatory authorities, resulting in increases in development costs or delays in project construction;
- we may not be able to fully utilize land or property assets located in desirable locations due to restrictions on use or development; and
- in relation to our interests in properties held through joint venture arrangements, necessary joint venture partner approvals in connection with operations or expansions, if applicable, may not be granted in a timely manner, or at all.

Any or all of the foregoing factors may affect our business, results of operations, financial condition and future cash flows.

Our profitability may be affected by revaluation of the properties held on our balance sheet, as well as the properties held by the funds and investment vehicles that we manage.

We measure our balance sheet properties initially at cost. Subsequent to initial recognition, we are required to reassess the fair value of the properties held on our balance sheet at every reporting date for which we issue financial statements. The valuations will be based on market prices or alternative

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valuation methods, such as discounted cash flow analysis based on estimated future cash flows. In accordance with IFRS, we recognize changes to the fair value of the properties held on our balance sheet as a gain or loss (as applicable) in our consolidated statement of profit or loss in the period in which they arise. The fair value gains on the properties held on our balance sheet in 2016, 2017 and 2018 and for the six months ended June 30, 2018 and 2019 were US\$106.6 million, US\$195.2 million, US\$172.5 million, US\$46.2 million and US\$103.6 million, respectively, representing 110.2%, 127.4%, 67.9%, 49.3% and 66.5% of our revenue for the respective periods. The profits attributable to our equity holders may include gains and losses that arise from revaluation of the properties held on our balance sheet, which may be volatile. However, fair value gains on the properties held on our balance sheet would not change our cash position as long as these properties are held by us, and thus would not increase our liquidity in spite of the increased profit. On the other hand, fair value losses on the properties held on our balance sheet would have a negative effect on our results of operations, even though such losses would not change our cash position. The amount of revaluation adjustments have been, and may continue to be, significantly affected by the prevailing property market conditions and may be subject to market fluctuations. There is no assurance that the fair value of the properties held on our balance sheet will not decrease in the future. Any such decrease in the fair value of the properties held on our balance sheet will reduce our profits, which in turn may have a material adverse effect on our business, financial condition, results of operations, performance and prospects. In addition, we cannot assure you that we will be able to recognize comparable fair value gains on the properties held on our balance sheet in the future and we may also recognize fair value losses, which would impact our results of operations for future periods.

Furthermore, properties held by the funds and investment vehicles we manage are also subject to revaluation according to accounting standards that apply to them. The amount of revaluation adjustments have been, and may continue to be, significantly affected by the factors set forth in the paragraph above. We cannot assure you that we will be able to continue to recognize fair value gains on the properties held by the funds and investment vehicles we manage, which benefit our minority interests in the funds and investment vehicles we manage and our results of operations. From time to time, the funds and investment vehicles we manage may even experience fair value loss, which would impact our results of operations for future periods.

Failure of our joint ventures to perform as anticipated could have a material adverse effect on our business, results of operations, financial condition and future cash flows.

We have significant investments in joint ventures from which we receive a share of profits. Our investment in joint ventures amounted to US\$526.1 million as of June 30, 2019 and our share of profits and losses of joint ventures and associates was US\$18.3 million for the six months ended June 30, 2019. We may be exposed to special risks in the decision-making processes of our joint ventures as certain corporate actions of our joint ventures require approval of all joint venture partners whilst our joint venture partners may have economic or business interests or goals that are inconsistent with ours and may take actions contrary to ours. As a result, we are generally not in a position to exercise sole decision-making authority with respect to these joint ventures, including with respect to dividend policies. If any of our joint ventures fail to perform as anticipated, or if for any reason, including the need to retain cash for operations, any of our joint ventures are unable to declare any dividends, even if the share of profits of these joint ventures are consolidated into our accounts under equity accounting method, we may not receive cash payments for our share of profits on a timely basis, or at all, which could have a material adverse effect on our business, results of operations, financial condition and future cash flows. In addition, there is liquidity risk associated with our investments in our joint

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ventures. A disposal of our interests in our joint ventures is subject to certain pre-emptive rights on the part of the other joint venture partners or certain other restrictions. As a result, a disposal of our interests in our joint ventures may require a longer time to complete, if at all, than a disposal of our investments in publicly-listed companies or of our wholly-owned subsidiaries or assets. For more information, see the section headed “Financial Information—Analysis of Selected Consolidated Statements of Financial Position Items—Investment in Joint Ventures” in this Prospectus.

Valuation methodologies for our financial assets at fair value through profit or loss and our financial assets at fair value through comprehensive income may involve subjective judgments and/or may be subject to market volatility, which may result in changes in the fair values of these financial assets.

As of June 30, 2019, our financial assets at fair value through profit or loss comprise unquoted equity investments estimated based on our share of the net asset value of the funds and investment vehicles we manage. Our financial assets at fair value through profit or loss increased by US\$221.5 million from approximately US\$140.6 million as of December 31, 2016 to approximately US\$362.1 million as of December 31, 2017, decreased by US\$26.3 million from approximately US\$362.1 million as of December 31, 2017 to approximately US\$335.8 million as of December 31, 2018 and then increased by US\$169.1 million to approximately US\$504.9 million as of June 30, 2019. We use our judgment to select a variety of methods and make various assumptions and estimates. Changes in these assumptions and estimates could materially affect the respective fair value of these financial assets. Further, the valuation methodologies for the net asset value of the funds and investment vehicles take into consideration a range of factors including but not limited to the price at which an asset was acquired, local property market conditions, values of comparable assets in the same market, and current and projected operating performance, which involve a significant degree of management judgment and use of unobservable inputs, and may result in material adjustment to the carrying amounts of certain assets held by the funds and investment vehicles we manage. For more details, see Note 49 “Fair Value Hierarchy of Financial Instruments” to “Appendix I—Accountants’ Report” to this Prospectus. As there is significant uncertainty in the valuation of, or in the stability of the value of, the net asset value of the funds and investment vehicles we manage, the fair value measurement of our financial assets at fair value through profit or loss as reflected in our share of the net asset value of these funds and investment vehicles are also subject to significant uncertainties and risks, which may result in volatility in our financial condition and results of operations.

In addition, as of June 30, 2019, our financial assets at fair value through other comprehensive income comprise listed equity investments in public companies listed on the SGX, ASX and the HKSE, of which the fair values are estimated based on their quoted prices on an active market. Although these are publicly traded companies, the prices of their securities may fluctuate significantly, which contribute to the uncertainties in valuation. Historically we did not record any financial assets at fair value through other comprehensive income in 2016 and 2017. However, due to our adoption of IFRS 9, effective from January 1, 2018, we recorded financial assets at fair value through other comprehensive income of approximately US\$484.2 million as of December 31, 2018 as a result of reclassification of certain items (which were previously classified as available-for-sale investments and financial assets at fair value through profit or loss) as equity instruments designated at fair value through other comprehensive income. We recorded financial assets at fair value through other comprehensive income of approximately US\$469.0 million as of June 30, 2019. For more details, see the paragraph headed “Financial Information—Analysis of Selected Consolidated Statements of Financial Position Items—Financial Assets at Fair Value through Other Comprehensive Income” in

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this Prospectus. Any change in the securities prices and market conditions could lead to the volatility in the fair values of our financial assets at fair value through other comprehensive income, which could further impact our financial condition and results of operation and may also impact our ability to dispose of these financial instruments at favorable prices.

Fluctuations in our gains on disposal of subsidiaries, which may vary from period to period, could have a material adverse effect on our business, results of operations, financial condition and future cash flows.

Gains on disposal of subsidiaries represents our gains from the sale of our equity interests in subsidiaries holding our investment properties. While we intend to continue disposing of our properties in implementing our capital recycling strategy, fluctuations in the timing of these transactions subjects us to a risk that our income fluctuates from period to period. In the years ended December 31, 2016, 2017 and 2018, we recorded gains on disposal of subsidiaries of US\$32,000, US\$38.3 million and US\$2.7 million, respectively. In the six months ended June 30, 2018, we did not dispose of any subsidiary and for the six months ended June 30, 2019, we recorded gains on disposal of subsidiaries of US\$16.5 million. Any fluctuations in our gains on disposal of subsidiaries could have a material adverse effect on our business, results of operations, financial condition and future cash flows. For more information, see the section headed “Financial Information—Principal Components of our Consolidated Statement of Profit or Loss—Gain on Disposal of Subsidiaries” and Note 37 to the Accountants’ Report set forth in Appendix I to this Prospectus.

We may not be able to secure capital resources, either through equity or debt financing, on commercially reasonable terms, or at all.

Our business, in particular the funds and investment vehicles we manage, requires substantial capital investment. We have in the past financed our business and operations through internal cash flows, private equity fundraising, public bond offerings and commercial bank loans, among other things. We may, in the future, require additional financing to fund our capital expenditures to support the future growth of our business and/or to refinance our existing debt obligations. The funds and investment vehicles we manage may also require additional financing to fund or refinance their existing projects and complete profitable acquisitions. The funds and investment vehicles we manage also rely on additional financing in connection with capital called from our capital partners in order to maintain target leverage ratios in our funds and investment vehicles.

Our ability to arrange external financing and manage the cost of such financing is dependent on numerous factors, including general economic and capital markets conditions, interest rates, credit availability from banks or other lenders, investor confidence in us, our own financial conditions, the success of our business, provisions of relevant tax and securities laws, policies regarding regulation and control of the logistics real estate markets where we operate, and political and economic conditions in these markets. In addition, changes in the global financial markets have, in recent years, affected the availability of financing and led to an increase in the cost of financing. We may consequently find it difficult in the future to access the financial markets, which could in turn make it more difficult or expensive to obtain funding. There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favorable to us or the funds and investment vehicles we manage. If we fail to obtain adequate financing to fund our operations or the existing projects and proposed acquisitions of the funds and investment vehicles we manage, our business, financial condition, results of operations, performance and prospects may be materially and adversely affected.

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Further, as our AUM is calculated taking into account the additional debt that will be incurred with reference to the target leverage ratio of the relevant funds and investment vehicles we manage when all capital is called and invested, if the funds and investment vehicles we manage are not able to achieve the target leverage ratios, our AUM may be materially and adversely affected. In addition, the inability to refinance our indebtedness or the indebtedness of the projects of the funds and investment vehicles we manage at maturity, or meet our payment or redemption obligations or the payment or redemption obligations of the funds and investment vehicles we manage, upon the occurrence of certain events such as change of control, could adversely affect our cash flows, results of operations, financial conditions and reputation. In such circumstances, we may require additional equity financing, and the funds and investment vehicles we manage may require additional capital investment, which would be dependent on the appetite and financial capacity of our shareholders and our capital partners. For further details of the equity financing risks relating to the funds and investment vehicles we manage, see “—Our capital partners in the funds and investment vehicles we manage with commitment-based structures may not satisfy their contractual obligation to fund capital calls when requested by us, which could adversely affect the operations and performance of the funds and investment vehicles we manage” and “—We may not be able to sustain our business relationships with existing capital partners and may fail to form relationships with new capital partners, either of which may adversely affect our financial condition and results of operations.” If we are unable to raise equity or debt financing or the funds and investment vehicles we manage are not able to secure additional capital investment from capital partners, our business, financial condition, results of operations, performance and prospects will be materially and adversely affected.

In addition, our restricted cash, which is reserved for specific purposes, may be unavailable for general corporate purposes. Further, we may be subject to foreign exchange controls that may adversely affect the ability to repatriate the income or proceeds of sale arising from the Portfolio Assets. See “—We are subject to restrictions on the repatriation of funds in the PRC, South Korea and India” in this section. Accordingly, our ability to successfully execute our business strategy and maintain our operations depends on our ability to continue to maintain sufficient liquidity, cash and available credit under our credit facilities. If we do not maintain sufficient liquidity, our ability to meet our payment obligations to creditors or to borrow additional funds may become impaired, and our business, financial condition and our results of operations may be materially and adversely affected.

Covenants in our credit agreements limit the flexibility of our operations and breaches of these covenants could adversely affect our financial condition.

The terms of our various credit arrangements require compliance with a number of both restrictive and financial covenants, including, among others, negative pledges, interest coverage ratios, leverage covenants, limitations on the incurrence of indebtedness, restrictions on the distributions to shareholders and requirements to provide notice or obtain consent for certain significant corporate events. These covenants could limit the flexibility of our operations. For example, some of our subsidiaries are subject to covenants that restrict them from distributing dividends, restructuring, transferring material assets, liquidating or changing their shareholding or management structure. In addition, borrowings under certain loan agreements between our subsidiaries and banks or other financial institutions are not allowed to be used for purposes other than the development of the projects specified in the agreements. Moreover, some of the loan agreements that we have entered into contain financial covenants that require us and/or our subsidiaries to maintain specified financial ratios. See the section headed “Financial Information—Indebtedness” in this Prospectus. Breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness and the

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acceleration of repayment of such indebtedness. Certain of our credit agreements also contain cross-default or cross-acceleration provisions that would permit the lenders thereunder to accelerate repayments of indebtedness in the event of a default or acceleration of repayment of other material indebtedness. Any breaches of such covenants could have a material adverse effect on our business, financial condition, results of operations, performance and prospects.

Dependence on leverage for investments made by us and by the funds and investment vehicles we manage could expose us to interest rate risks and adversely affect us.

We use leverage on investments made by us and by the funds and investment vehicles we manage. Our ability to achieve attractive yields and rates of return on our balance sheet investments and the investments of the funds and investment vehicles we manage may depend on our continued ability to access sufficient sources of debt financing at attractive or acceptable rates. Due to the use of leverage, indebtedness may constitute a majority of the asset value of certain Portfolio Assets, and may constitute a majority of the asset value of future properties that we acquire. An increase in either the general levels of interest rates or in the risk spread demanded by sources of financing would make it more expensive to finance those investments.

Leveraged investments are inherently more sensitive to declines in revenue, increases in expenses and interest rates and adverse economic, market and industry developments. The incurrence of a significant amount of indebtedness by us or the funds and investment vehicles we manage could, among other things:

- give rise to an obligation to make mandatory prepayments of debt using excess cash flows, which might limit our ability or the ability of the funds and investment vehicles we manage to make unplanned but necessary capital expenditures or to take advantage of growth opportunities;
- limit our ability or the ability of the funds and investment vehicles we manage to adjust to changing market conditions, thereby placing us or the funds and investment vehicles we manage at a competitive disadvantage;
- limit our ability or the ability of the funds and investment vehicles we manage to engage in strategic acquisitions that might be necessary to further expand our business or generate further growth; and
- limit our ability or the ability of the funds and investment vehicles we manage to obtain additional financing or increase the cost of obtaining such financing, including for capital expenditures, working capital or general corporate purposes.

Our profitability may be affected by our finance costs.

We fund our business operations, including our balance sheet investments, through internally generated funds and external financing, including private equity fundraising, public bond offerings and commercial bank loans, among other things. For details, see the section headed “Financial Information—Indebtedness” in this Prospectus. As a result of our financings, we record significant finance costs. In 2016, 2017 and 2018 and for the six months ended June 30, 2018 and 2019, we incurred finance costs of US\$56.0 million, US\$90.9 million, US\$104.9 million, US\$45.9 million and US\$83.4 million, respectively, which were more than the net cash generated from our operating activities of approximately US\$22.0 million, US\$36.4 million, US\$79.3 million, US\$23.3 million and US\$14.4 million, respectively.

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Some of our outstanding borrowings are subject to floating rates. As commercial banks in the PRC link the interest rates on their bank loans to benchmark lending rates published by the People's Bank of China, any increase in the benchmark lending rates will increase the interests expenses and finance costs related to our developments. To the extent the governments in the countries where we operate slow the development of the real estate sector by increasing lending rates to the sector, our cost of financing may be adversely affected. As such, any increase in interest rates offered to us may significantly impact our results of operations. Additionally, a general increase in the demand for loans in the countries where we operate may increase applicable interest rates, resulting in additional interest costs for us. If we are not able to negotiate lower financing costs, our net profit and results of operations may be materially and adversely affected by our total financing costs and interest expenses.

Our capital partners in the funds and investment vehicles we manage with commitment-based structures may not satisfy their contractual obligation to fund capital calls when requested by us, which could adversely affect the operations and performance of the funds and investment vehicles we manage.

The funds and investment vehicles we manage rely heavily on capital investment from our capital partners. Our capital partners make capital commitments to the funds and investment vehicles we manage during the respective commitment periods as prescribed in the organizational agreements for the funds and investment vehicles we manage, and we, as the general partner or the investment manager, on behalf of such funds and investment vehicles, are entitled to call capital from those capital partners at any time during such periods. We depend on capital partners fulfilling their commitments when called to fund, investments and otherwise fulfill their obligations when due. To date, we have not had any capital partners fail to honor capital calls to any meaningful extent. A capital partner that does not fund a capital call will be subject to several possible penalties, including having a significant amount of its existing investment in that fund or investment vehicle forfeited, losing its right to appoint directors or committee members of that fund or investment vehicle, or risking its shares being called by non-defaulting shareholders at a discounted price. However, the impact of these penalties can be limited. For example, the investment forfeiture may be less meaningful if a capital partner has little or no prior capital investment and the forfeiture occurs early in the life of the fund or investment vehicle. Capital partners may in the future also negotiate for fewer or reduced penalties in the organizational agreements of the fund or investment vehicle, thereby reducing the enforceability of a capital call. In addition, we have a certain level of concentration of major capital partners, which increases our risk exposure if any of the major capital partners were to default. If our capital partners were to fail to satisfy a significant amount of capital calls for any particular fund or investment vehicle, the operation and performance of such fund and investment vehicle could be materially and adversely affected and/or an intended investment may not be able to be made, which could further have a material adverse effect on our management fee income, business, financial condition, results of operations, performance and prospects.

We may not be able to sustain our business relationships with existing capital partners and may fail to form relationships with new capital partners, either of which may adversely affect our financial condition and results of operations.

Our business depends on our ability to maintain relationships with our existing capital partners and form relationships with new capital partners. Under certain of the development funds and investment vehicles we manage, our capital partners have the right to initiate the sale of certain assets when they are stabilized. While we have a right of first offer to acquire such assets, we may not have

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the capital on our balance sheet or in the core/core-plus funds and investment vehicles we manage to do so, which could have an adverse effect on our AUM and non-transaction based management fee income, and further affect our business, financial condition and results of operations. Our development funds and investment vehicles cease to have the right to call capital from our capital partners for new projects that have not been identified and approved by the expiration of the commitment period. Also, our capital partners may choose not to continue to invest with us, either in new development or core/core-plus funds and investment vehicles we seek to set up, upon the winding down of the development funds and investment vehicles in which they have originally invested. In addition, we may fail to form relationships with new capital partners and, as a result, fail to diversify capital sources other than from our current capital partners. While we have not experienced any forced sale of assets under our funds and investment vehicles or any material redemption by our capital partners with respect to their investments during the Track Record Period and up to the Latest Practicable Date, if any of the foregoing occurs, our business, financial condition, results of operations, performance and prospects may be materially and adversely affected.

We possess certain management rights under investment management agreements as part of our fund management business. The organizational agreements of the funds and investment vehicles we manage may contain provisions such as capital partner exit provisions or allow capital partners to resolve to remove us as the investment manager. Similarly, certain of our partnership agreements contain provisions allowing capital partners to resolve to remove us as the general partner. Each of the funds and investment vehicles we manage has provisions concerning the replacement of the investment manager and general partner in certain circumstances. Our material default or underperformance with respect to the funds and investment vehicles we manage may give rise to risks that the investment manager mandates can be canceled or otherwise changed, and that we may have to indemnify the funds and investment vehicles we manage for certain losses incurred, subject to certain conditions. In addition, certain of our investment management agreements include a cross-termination provision that, if we cease to be the investment manager or general partner of certain funds, the investment management agreements of other investment vehicles which co-invest alongside such funds may be automatically terminated. While we have not experienced any of the foregoing events during the Track Record Period and up to the Latest Practicable Date, if any of the foregoing were to occur, our business, financial condition, results of operations, performance and prospects may be materially and adversely affected.

Our capital partners may demand better commercial terms or lower fees under certain circumstances.

We earn fee income and promotes from managing funds and investment vehicles, as well as the assets under the funds and investment vehicles on behalf of our capital partners. Our fees include base management fees, asset management fees, acquisition fees, development fees and leasing fees. We also participate in a disproportionate share of profits through promote upon exceeding a pre-determined target IRR and after our capital partners have received their targeted capital returns. In 2016, 2017 and 2018 and for the six months ended June 30, 2018 and 2019, our management fee income amounted to US\$46.5 million, US\$94.3 million, US\$135.6 million, US\$59.0 million and US\$61.8 million, respectively, accounting for approximately 48.0%, 61.5%, 53.4%, 63.0% and 39.7%, respectively, of our total revenue. Our management fees are negotiated on a case by case basis under the organizational agreements of the funds and investment vehicles we manage, which generally have a term of more than seven years. Because base management fees are a percentage of either committed capital or portfolio value at the outset of a fund's commitment period and subsequently a percentage of invested capital

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after the expiration of a fund's commitment period, the level of base management fees we earn depends almost exclusively on the percentage we are able to negotiate with our capital partners, which generally ranges from 1% to 2%.

Our capital partners may demand better commercial terms or lower fees under certain circumstances, such as decreases in the prevailing market rates of management fees, increases in the supply of competing services at more favorable terms, poor performance of investment funds and vehicles, or deteriorating economic conditions. Under such circumstances, fundraising conditions for the funds and investment vehicles we manage are likely to be challenging and pressures by capital partners for lower fees, different fee sharing arrangements or fee concessions may increase. If we are unable to agree to terms, which may be less favorable to us, we may lose capital support from our capital partners. In addition, certain arrangements with our capital partners contain highly customized terms: for example, certain capital partners may be entitled to discounts to management fees chargeable or one-off rebates in the event of a budget overrun, and limited sharing of management fees if certain capital partners successfully introduce qualified new capital partners to the funds or investment vehicles managed by us. As a result of the foregoing, we may not be able to collect the full amount of management fees that we would otherwise be entitled to, which would affect our management fee income, financial condition, results of operations and performance.

As part of our business, we encounter conflicts of interest, and a failure to identify, address and resolve such conflicts of interest could adversely affect our business.

We develop logistics property assets owned directly by us and owned by the development funds and investment vehicles we manage. We also provide investment and asset management services to the funds and investment vehicles we manage. From time to time as part of our business model, we acquire and sell logistics property assets both for our own balance sheet and for the development funds and investment vehicles we manage. We have in the past and expect in the future to encounter conflicts of interest including, but not limited to, the following situations:

- our fiduciary and contractual obligations to our capital partners in the funds and investment vehicles we manage may preclude us from pursuing investment opportunities for our own balance sheet;
- conflicts may arise among the funds and investment vehicles we manage as to which fund or investment vehicle is allocated a certain investment opportunity;
- conflicts may arise in allocating time, services, expenses, personnel and financial or other resources: (i) between the investment activities of the funds and investment vehicles we manage, on the one hand, and of our balance sheet, on the other hand; or (ii) among the investment activities of the funds and investment vehicles we manage;
- conflicts may arise in our capital recycling strategy, through which the funds and investment vehicles we manage may seek to effect a purchase or sale of an asset from or to one or more of the other funds or investment vehicles we manage (such as the sale of an asset from a development fund to a core fund), or we may seek to effect a purchase or sale of an asset on our balance sheet from or to a fund or investment vehicle we manage. Because we undertake various roles simultaneously in such transactions (such as the owner and seller of the asset as well as the investment manager of the fund or investment vehicle which purchases the asset, or the investment manager of the fund or investment vehicle which sells the asset and the investment manager of the fund or investment vehicle

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that purchases the asset), and there is no open market bid to substantiate the purchase price of the relevant asset, there may be a conflict between our interests and the interests of our capital partners, as well as a conflict between the interests of capital partners of different funds; and

- conflicts may arise with respect to our rights to receive fees or other compensation in connection with specific transactions. For example, we earn acquisition fees (which typically range from 0.5% to 1.75% of the cost of properties) for the sale of properties held by our development funds to the core/core-plus funds or investment vehicles we manage. As we negotiate on both sides with respect to such sale, conflicts may arise as we try to maximize the acquisition fees we earn and represent the interests of different capital partners simultaneously.

In addition to the organizational agreements of the funds and investment vehicles we manage, we have a conflicts of interest policy in place to help us identify, address and resolve such conflicts, including to help us determine the allocation of investment opportunities between us and the funds and investment vehicles we manage, and among the funds and investment vehicles we manage. For more information on these procedures, see the section headed “Business—Fund Management—Fund Investment Process” in this Prospectus. However, it is difficult to identify, address and resolve all such potential, perceived or actual conflicts of interest. Our procedures may fail to identify all conflicts or fail to effectively resolve conflicts and/or the perception of conflicts. We may not be able to resolve all conflicts in a way suitable to us or to our capital partners. If we fail to identify, address and resolve conflicts, our business and our reputation may be damaged. The willingness of capital partners to enter into agreements with us or invest in the funds or investment vehicles we manage may be adversely affected if we fail, or appear to fail, to deal appropriately with conflicts of interest or fulfill our fiduciary and contractual obligations. Conflicts of interest not properly addressed and/or resolved could give rise to claims by and liabilities to capital partners, litigation or enforcement actions. As a result, we may be obligated to bear legal, settlement and other costs. If we are unable to effectively manage conflicts of interest, we may not be able to carry on with our capital recycling strategy, and our business, financial condition, results of operations, performance and prospects could be materially adversely affected.

The organizational agreements of the funds and investment vehicles we manage include provisions that constrain our ability to take certain actions without the approval of our capital partners, including with respect to investment opportunities.

We have partnered with respect to, or acquired interests in, funds and investment vehicles we manage to acquire logistics property assets. Cooperation and agreement among us and our capital partners on the acquisition of logistics property assets is critical for the operation and financial viability of the funds and investment vehicles we manage. Certain actions or decisions of the funds and investment vehicles we manage may require approval of all shareholders or partners, and the relevant shareholders agreements, partnership agreements or platform framework agreements with our capital partners include provisions that constrain our ability to take certain actions, including the incurrence of capital expenditures exceeding certain amounts, sale of assets exceeding certain values and incurrence of indebtedness exceeding certain limits. These arrangements may involve certain risks associated with the possibility that our capital partners may:

- have economic or business interests or goals that are inconsistent with each other or our own and act in a manner that does not serve our interests or goals;

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- take actions contrary to the instructions or requests of us or contrary to our policies or objectives with respect to our investments;
- vote on business, financial or management decisions with which we do not agree;
- be unwilling to fulfill their obligations or unable due to financial or other difficulties; or
- have disputes with us as to the scope of their and our responsibilities and obligations, and with regard to the performance of their or our obligations.

In particular, our capital partners may disagree as to whether to invest in investment opportunities we have identified due to their different perception of the risk-return profile of the assets and they may exercise veto rights pursuant to the relevant shareholders agreements, partnership agreements or platform framework agreements. As we typically do not hold a majority interest in most of the funds and investment vehicles we manage, we may not be able to proceed with certain investment opportunities and our ability to efficiently deploy resources to take advantage of new investment opportunities in a timely and efficient manner may be restricted. Further, we may not be able to effectively implement our capital recycling strategy if the sale of assets from our own balance sheet assets to funds or investment vehicles we manage or sales between the funds and investment vehicles we manage are vetoed by our capital partners.

If we were to have a significant disagreement with our capital partners, such disagreement may have a material adverse effect on our reputation and the success of the funds and investment vehicles we manage. In addition, a disposal of our interests in a fund or investment vehicle is subject to certain preemptive rights on the part of the other capital partners or certain other contractual restrictions. As a result, a disposal of our interests in a fund or investment vehicle may require a longer time to complete, if at all, than a disposal of a wholly-owned asset. If any of the foregoing occurs, our business, financial condition, results of operations, performance and prospects will be materially and adversely affected.

Our business and the funds and investment vehicles we manage require significant upfront investment, and we and the funds and investment vehicles we manage may experience lower than expected returns on such investment.

Our business involves developing logistics properties on our balance sheet and through the funds and investment vehicles we manage. Developing logistics properties requires significant upfront investment. In 2016, 2017 and 2018 and for the six months ended June 30, 2018 and 2019, we incurred capital expenditures to develop the logistics properties on our balance sheet of US\$235.7 million, US\$328.9 million, US\$646.4 million, US\$423.3 million and US\$962.7 million, respectively. In addition, we have made equity capital investments to the funds and investment vehicles we manage. We also hold investment interests in ESR-REIT. We and the funds and investment vehicles we manage may experience lower returns on our investments, including on our equity capital investments, due to a number of reasons, many of which are beyond our control, including the overall economic conditions in the markets in which we operate, increase in interest rates or construction costs, delays in obtaining governmental permits and authorizations, default by counterparties with respect to the obligation to return cash deposits for land transactions in the event they are terminated, competition from other available logistics facilities and new entrants into the logistics real estate market, fluctuation of rental rates and variable operating costs and any downward cycle of the industries in which our existing and prospective tenants operate. If we fail to identify, attract and retain tenants for the Portfolio Assets, we will not be able to generate any operating cash flow from these properties to recover the significant upfront investment in our business and/or in the funds and investment vehicles we manage, which

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could have a material adverse effect on our business, financial condition, results of operations, performance and prospects. We also have investments in companies we do not manage, including Centuria in Australia, CNLP in Hong Kong and others. There is no assurance that these investments may experience expected or higher than expected returns.

We may not be able to complete the development or redevelopment of the Portfolio Assets according to our budget, on time, or at all.

Depending on the market and property type, it typically takes us approximately 12 to 24 months to develop, from land acquisition to stabilization, the Portfolio Assets. As a result, our cash flows and results of operations may be significantly affected by our property development or redevelopment schedules and any changes to those schedules may affect our development or redevelopment budgets. The schedules and the budgets of our property developments or redevelopments depend on a number of factors, including regulatory approvals, project financing, and performance of third-party contractors. In particular, if we fail to obtain or maintain various approvals, licenses and permits that are required for the development or redevelopment of Portfolio Assets, we may be subject to fines, suspension of construction work, and/or other liabilities arising from such non-compliance, which could delay our construction schedule, incur significant expenses and divert substantial management time to rectify these incidents. Other specific factors that could adversely affect our property development or redevelopment schedules and budget include, but are not limited to:

- changes in market conditions, economic downturns, and decreases in business and consumer sentiment in general;
- shortage of capital;
- changes in relevant regulations and government policies, including environmental and zoning laws;
- relocation of existing tenants and/or demolition of existing constructions;
- shortages of materials, equipment, contractors and skilled labor;
- labor disputes of third-party subcontractors;
- construction accidents;
- construction failures caused by unforeseen engineering, design, quality, environmental, or geological problems;
- breach of contractual obligations or unsatisfactory performance by third-party contractors;
- unforeseen costs or delays resulting from errors in judgment on the selection and acquisition criteria for potential sites; and
- natural catastrophes and adverse weather conditions.

Construction delays, or failure to complete the construction of a logistics property according to its planned specifications, schedule and budget may harm our reputation and lead to loss of, or delay in recognizing, revenue and lower returns on our capital investment. In addition, cost overruns may entitle some of our capital partners to claim waivers from paying base management fees chargeable in respect of capital commitments invested in projects which exceed the original approved budgets of such projects. As a result, we may not be able to collect the full amount of base management fees that we are originally entitled to, which may adversely affect our management fee income. We cannot

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assure you that we will not experience any significant delays or cost overruns in completing logistics properties in the future, which could have a material adverse effect on our business, financial condition, results of operations, performance and prospects.

Our Portfolio Assets rely on the transportation infrastructure and connectivity of the surrounding areas.

Infrastructure support, particularly public roads, highways and railroad access, is critical to the functioning of the Portfolio Assets and future development of logistics properties on our balance sheet or under the funds and investment vehicles we manage. There can be no assurance that certain government development plans will be executed in a timely manner, or at all. This may depend on the level of investment by the relevant government in the infrastructure support, which historically has varied in the countries in which we operate. If the transportation infrastructure surrounding the Portfolio Assets is not established in time, or at all, or adequately maintained, we may not be able to attract tenants for the Portfolio Assets or may even lose tenants, which may have a material adverse effect on the valuation of the Portfolio Assets. In particular, e-commerce and 3PL tenants attach significant importance to infrastructure support of surrounding areas, such as roads or expressways adjacent to urban areas. Failure to lease out the Portfolio Assets due to poor infrastructure support will materially and adversely affect our business, and we might not achieve the expected return on our investment. Furthermore, as the urban areas in the markets where we operate continue to develop, existing transportation infrastructure and traffic conditions surrounding the Portfolio Assets may deteriorate, or become unattractive in light of other or new transportation links, which in turn may render the location of the Portfolio Assets undesirable from our tenants' perspective and lead to early termination or non-renewal of their leases or renegotiation of rentals. In addition, a lack of infrastructure support in the countries into which we aim to expand could negatively impact our ability to do so. Any such occurrence may have a material adverse effect on the valuation of the Portfolio Assets as well as our business, financial condition, results of operations, performance and prospects.

We depend on our senior management team and certain key senior personnel as well as skilled employees.

Our success largely depends upon the continued service and performance of our senior management, key personnel as well as skilled employees. In particular, our senior management has been crucial to the development of our business, culture and growth strategies. If we lose the services of any member of our senior management, we may not be able to locate suitable or qualified replacements, and may incur additional expenses to recruit replacements, which could severely disrupt our business and impede our growth. Although we generally have non-compete arrangements in place for our senior management, if any member of our senior management joins a competitor or forms a competing business, we may lose know-how and business relationships with tenants, capital partners and key third parties such as principal banks and contractors. Further, pursuant to certain agreements executed in connection with certain of the funds and investment vehicles we manage, certain senior management and local management are identified as "key persons" under key person clauses. If any of them ceases to devote substantially all of their business time to activities directly or indirectly benefitting the projects held by these fund or investment vehicles during the specified commitment period, our capital partners may have the option to terminate these agreements. The departure of these key management personnel may therefore impact our business both from the loss of their services generally, as well as the continuation of these funds and investment vehicles. Such "key person" clauses may also restrict what the relevant individuals could do in the broader context of our business.

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Certain funds and investment vehicles we manage are subject to change of control clauses that are triggered when certain key persons cease to hold a specified amount of ownership or voting rights in the relevant vehicles. If any of the foregoing were to occur, our business, financial condition, results of operations, performance and prospects may be materially and adversely affected.

We have experienced significant growth in recent years and as a consequence require more personnel with specific skill-sets as we continue to expand our operations. In particular, as we expand into new markets, we may require the expertise of individuals with relevant knowledge of the local market as well as an understanding of our international business. However, competition for talent is intense, especially for those who have the relevant skill-sets and experience in the industry. We cannot assure you that key personnel and skilled employees will always choose to stay with us. The loss of any of these key personnel or skilled employees, or the inability to attract and retain talent, could have a material adverse effect on our business, financial condition, results of operations, performance and prospects.

Due diligence on acquisitions and investments, either by us or by the funds and investment vehicles we manage, may not reveal all relevant facts in connection with an acquisition or an investment, or identify all material defects or other deficiencies.

Before making acquisitions and investments, either by us or by the funds and investment vehicles we manage, we generally conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each acquisition or investment. When conducting due diligence and making an assessment regarding an acquisition or an investment, we rely on the resources available to us, including information provided by the target of the acquisition or investment or seller of a property and, in some circumstances, third-party investigations. As part of the due diligence process, we may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Third party property appraisers, market consultants, legal advisors, accountants and financial advisors may be involved in the due diligence process in varying degrees depending on the type of acquisition or investment. However, due diligence information or materials prepared by these third parties or the due diligence investigation that we will carry out with respect to any acquisition or investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such acquisition or investment opportunity. Public searches may not be available in certain jurisdictions and, even if they are available, such searches may have limited details or may not be up-to-date. In addition, even if our due diligence uncovers certain issues with respect to the acquisition, such as ongoing litigation affecting the target, we may decide to proceed with the acquisition due to strategic reasons. This could result in, among other things, management time and expenditure to resolve the outstanding issues. Finally, our acquisitions or investments, or the investments we make on behalf of the funds and investment vehicles we manage may not perform as expected.

In addition, although we believe that reasonable due diligence investigations with respect to the Portfolio Assets have been conducted prior to acquisition by us or by the funds and investment vehicles we manage, there is no assurance that the Portfolio Assets will not have defects or deficiencies requiring repair or maintenance (including design, construction or other latent property or equipment defects or asbestos contamination) which may require additional capital expenditures, special repair or maintenance expenses. Further, the experts' due diligence reports that we rely upon as part of our due diligence process may be subject to inaccuracies and deficiencies. This may be because certain building defects and deficiencies are difficult or impossible to ascertain due to limitations inherent in

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the scope of the inspections, the technologies or techniques used, data forgery by engineering firms and other factors. As such, it is practically impossible or difficult to detect defects or deficiencies in properties through a due diligence process and there is no guarantee that the Portfolio Assets bear no defects in relation to the installation piles or other equipment used for construction. Such undisclosed and undetected defects or deficiencies, if any, may require significant capital expenditures or trigger repair and maintenance obligations to our tenants and involve significant and unpredictable patterns and levels of expenditure or reduction in rental income during the repair process which may have a material adverse effect on our business, financial condition, results of operations, performance and prospects.

We may face difficulties in realizing the benefits of any acquisitions and successfully integrating acquired businesses.

Some of our historical acquisitions have been transformative to our business. See the sections headed “Business—Competitive Strengths and Strategies—Competitive Strengths—We have a proven ability to grow organically and to execute opportunistic M&A transactions to expand our capabilities, broaden the scope of the Portfolio Assets, and support our growth in the logistics real estate industry” and “History, Development and Corporate Structure—Major Acquisitions and Mergers” in this Prospectus. We may in the future continue to evaluate potential acquisition opportunities and pursue acquisitions of major businesses.

Prior to completing any acquisitions, we identify expected synergies, cost savings and growth opportunities. However, due to legal, regulatory and business limitations, we may not have access to all necessary information and, as a result, will face the operational and financial risks inherent in such acquisitions. The integration process, particularly in connection with a transformative acquisition, may be complex, costly and time-consuming. The potential difficulties of integrating the operations of an acquired business and realizing our expectations for an acquisition, including the benefits that may be realized, include, among other things:

- failure to implement the business plan for the combined business;
- delays or difficulties in completing the integration of acquired companies or assets, including unanticipated issues in integrating logistics, information, communications and other systems;
- higher than expected costs, lower than expected cost savings and/or a need to allocate resources to manage unexpected operating difficulties;
- unanticipated changes in the combined business due to potential divestitures or other requirements imposed by antitrust regulators;
- failure to maintain the continuity or assimilation of operations or employees;
- retaining key tenants, suppliers and employees;
- retaining and obtaining required regulatory approvals, licenses and permits;
- diversion of the attention and resources of management;
- assumption of liabilities not identified in due diligence;
- difficulties in establishing and maintaining effective internal controls;

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- potential litigations from existing shareholders for any deficiencies in due diligence process and overpriced considerations; and
- other unanticipated issues, expenses and liabilities.

Any such acquisition, or the failure to complete any future intended acquisition, may have a material adverse impact on our business, financial condition, results of operations, performance and prospects. For example, to ensure the smooth integration of our business and an acquired business and to create synergies for each other, a certain degree of optimization and integration will be required with respect to tenant resources management, marketing, technical research and development, financial accounting and human resources management of us and the acquired business. However, it is uncertain whether such integration can be successfully implemented, if at all. If the relevant risks of such integration are not properly managed or the expected benefits of an acquisition fail to materialize, the post-acquisition business may risk losing key employees, senior management team and/or tenant relationships, which may have a material and adverse effect on our business, financial condition, results of operations, performance and prospects.

In August 2018, we acquired CIP, a property development group that provides construction services in Australia. In addition to the risks and uncertainties generally associated with our acquisitions, some of which are identified in the preceding paragraphs, our acquisition of CIP presents risks and uncertainties which are unique to that transaction, including the possibility that we may face difficulties in integrating CIP's construction operations and realizing the expected benefits from the acquisition as we have not historically engaged in the construction business. Furthermore, because the revenue model for CIP's construction business is different from our existing model, we expect the operating results of CIP to have a significant impact on our revenue mix and cost of sales going forward. Historically, CIP had a lower gross margin than we had, and this will have an adverse impact on our gross margin going forward. We cannot assure you that CIP will perform consistently with our expectations or that we will be able to successfully execute our business strategy with respect to CIP. Our failure to address these risks or other problems encountered in connection with our acquisition of CIP may have a material and adverse effect on our business, financial condition, results of operations, performance and prospects.

We completed the Sabana Manager Acquisition in June 2019, and we may face difficulties in integrating Sabana Manager's business into our operations and realizing the expected benefits from the acquisition, which may have a material adverse effect on our business, financial condition, results of operations, performance and prospects. See the section headed the section headed "History, Development and Corporate Structure—Major Acquisitions and Mergers—Sabana Manager Acquisition and Sabana REIT Investment" in this Prospectus for further information.

For more information on the risks related to our acquisition of Propertylink, see the paragraph headed "—We may not realize the expected benefits of our acquisition of Propertylink" in this section.

We may not realize the expected benefits of our acquisition of Propertylink.

We intend to employ Propertylink as part of our strategy to build up and strengthen our Australian platform. See the section headed "Summary—Recent Developments—Material Developments—New Australia Fund" in this Prospectus. We are committed to long term investment in logistics real estate in the Australian market. Our acquisition of Propertylink, like our acquisition of CIP, is part of our focus on value creation which involves expanding our Australian operations and

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identifying accretive acquisition targets, both as an owner of property and a fund, asset and property manager.

Our valuation of Propertylink, and the consideration offered under the Propertylink Offer (as defined in the section headed “History, Development and Corporate Structure—Major Acquisitions and Mergers—Propertylink Acquisition” in this Prospectus) of AUD1.20 per Propertylink security (which includes the ability for Propertylink securityholders to receive an interim distribution of AUD0.036 per Propertylink security), was determined based on, among other things, our estimation of their value, the publicly listed price of Propertylink securities and the negotiation processes with the Propertylink board. However, our valuation may not be entirely accurate, due to various factors such as our lack of full access to all the financial materials of Propertylink prior to the acquisition, and the possibility that the assumptions we made in our evaluation prior to the acquisition do not align with Propertylink’s actual performance in the future.

If the anticipated benefits of our acquisition of Propertylink are not realized or if we are unable to address the risks related to its business, its business, financial condition, results of operations, performance and prospects may suffer and our investment in Propertylink may be at risk.

Those risks specifically associated with Propertylink and its business include the following:

- Capital losses: Propertylink has carried forward net capital losses which are available to be utilized against net capital gains in future income tax years. Given that we have acquired 100% of Propertylink securities, Propertylink may fail the continuity of ownership test, which means that Propertylink may not be able to utilize its carried forward net capital losses unless it satisfies the same business test during the relevant period;
- MIT status: Given that we have acquired 100% of Propertylink securities, a consequence of the ownership structure of the three entities that comprise Propertylink is that they may cease to satisfy the requirements to be a ‘Managed Investment Trust’ (“MIT”) in respect of future income tax years. Consequently, distributions made by Propertylink Trust (“PT”) and Propertylink Australian Industrial Partnership (“PAIP”) in relation to those future years would be subject to non-resident withholding tax which may be higher than the MIT withholding tax rate. This may have an adverse effect on the tax treatment of PT and PAIP and their distributions going forward;
- Change of control provisions: Our acquisition of Propertylink, and the delisting of Propertylink, has triggered change of control and similar provisions under certain external fund co-ownership agreements, financing arrangements and property leases to which Propertylink and external funds are party to. As of the Latest Practicable Date, we had refinanced the loans of Propertylink and had not received any notification from any counterparty requesting to terminate the relevant agreements or exercise other rights in respect of the change of control of Propertylink. However, we cannot assure you that the relevant counterparties will not opt to exercise their rights relying on change of control provisions in the future. If counterparties to the relevant agreements exercise termination or other rights in respect of the change of control of Propertylink, Propertylink’s financial performance and the value of Propertylink securities could be materially adversely affected; and
- Termination for convenience: There is a risk that existing material agreements may be terminated, lost or impaired, or renewed on less favorable terms. Some of Propertylink’s

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material agreements can be terminated without cause (for example the management agreements for the Propertylink Australian Industrial Partnership II can be terminated without cause by a 75% majority of unitholders) or on short notice periods (depending on the termination event or circumstances).

Certain facts and statistics derived from Propertylink’s public disclosure may not be reliable.

We have derived certain facts, statistics and business and financial information relating to Propertylink, including pre-acquisition financial information of Propertylink set forth in “Appendix II-A—Audited Financial Statements on Propertylink for the three years ended June 30, 2018” in this Prospectus, from information disclosed by Propertylink in its various public disclosures. While we have taken responsible care in the reproduction of such information, it has not been prepared or independently verified by us, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers or any of our or their respective affiliates or advisors and, therefore, we cannot assure you as to the accuracy and reliability of such facts, statistics and information. We cannot assure you that the information derived from Propertylink’s public disclosures was stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere in this Prospectus. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts and statistics.

We may not be successful in executing our business strategy, including the expansion into new geographical locations and adjacent businesses.

Our business model involves developing, operating and managing logistics properties, either owned directly by us or by the funds and investment vehicles we manage, in APAC and managing such funds and investment vehicles. As we expand into new geographic locations, we may face uncertainties and challenges due to our unfamiliarity with local regulatory practices and tenants’ preferences and behavior, the reliability of local contractors and suppliers, business practices and business environments and municipal-planning policies. These uncertainties, in particular in Australia and India given our relatively short track record in these two countries, affect our development schedule and therefore our ability to meet stated goals. In addition, whether we can successfully expand into these new locations depends on many factors which are beyond our control, including whether we can find suitable sites at reasonable costs in urban areas, whether we can establish and maintain cooperative relationships with local governments, and whether we can raise capital for the funds and investment vehicles in the new locations. Further, expanding our business into new locations may entail competition with logistics property providers who have better-established local presence or better relationships with local governments or greater access to local labor, expertise and knowledge than we do. See “—Our business is intensely competitive.”

In addition, we intend to establish a pan-APAC fund to provide investors with single product exposure to the logistics real estate market in APAC. We may not be successful in executing this strategy or attracting the capital needed to seed such a fund, and such strategy may impact our business in ways we cannot presently forecast.

Further, we intend to leverage our ecosystem of shareholders, capital partners, local teams and tenants to penetrate adjacent businesses that benefit from the synergies of our platform, such as real estate properties to be used for data centers, suburban IT offices and business parks. As we may face new challenges in these adjacent businesses, we may fail to recognize or properly assess risks or take

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full advantage of opportunities, or otherwise fail to adequately leverage our resources and past experience. For example, we may have difficulties in accurately predicting market demand or industry standards for our data centers, suburban IT offices and business parks, which may render such businesses incompatible with our existing business or cause delays due to budget overrun and unanticipated local issues such as labor and supplies. Any such failures may have a material adverse effect on our business, financial condition, results of operations, performance and prospects.

Our capital recycling strategy may result in changes in our balance sheet and our income statement in the future.

We use our balance sheet and development funds to acquire land and develop logistics facilities and then transfer mature, income-yielding assets to the core/core-plus vehicles and listed fund platforms we manage. As a result, we realize fair value gains on completed investment properties, fair value gains on investment properties under construction, gains on disposal of properties, and earn management fee income. The disposed assets are also off our balance sheet upon the completion of such transfers. As we continue to recycle our capital and transfer assets on our balance sheet to core and core-plus funds and REITs we manage, we expect that our balance sheet and income statement will continue to change from time to time. Further, successful execution of our capital recycling strategy is subject to various factors including the variety of avenues of development available to us, risk and liquidity profiles in our fund management business and geographies where we operate, which may ultimately affect our results of operations. Our historical financials may not be indicative of our future financial performance and our operating results may change.

Goodwill impairment may negatively affect our reported results of operations.

During the Track Record Period, we recorded goodwill in connection with our business combinations and acquisitions, and did not record any impairment of such goodwill during the same period. If the businesses we acquired cannot generate the financial results as we expect, it could result in the use of substantial amounts of cash, the occurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities.

Goodwill is initially measured at cost, and tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Performing the goodwill impairment test requires us to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. There are inherent uncertainties related to these factors and to our judgment in applying these factors to the assessment of goodwill recoverability. We could be required to evaluate the recoverability of goodwill prior to the annual assessment if there are any impairment indicators which could potentially be caused by our failure to successfully integrate the operations of the acquired businesses with other operations. Impairment charges could substantially affect our reported results of operations in the periods of such charges. In addition, impairment charges would negatively impact our financial ratios and could limit our ability to obtain financing in the future.

The limited liquidity of the Portfolio Assets could restrict our ability to respond to adverse changes in the property markets.

We have been engaged in a capital recycling strategy since 2017 where we dispose of logistics facility assets we have developed on our balance sheet or in development funds or investment vehicles

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we manage to the core/core-plus funds or investment vehicles we manage. We may also in the future dispose of such assets to development funds that we manage. Our ability to complete the divestments of select property assets into the funds and investment vehicles we manage or to third parties may be adversely affected by competition from other sellers, issues with planning, changes in the desirability of the locations of the assets, current market conditions (including capitalization rates and the underlying property fundamentals applicable to our balance sheet properties) and the availability of financing for interested purchasers.

In particular, as the Portfolio Assets have limited liquidity, our ability to sell them in a timely manner or at all, including as an exit strategy of the development funds we manage or in response to changing economic, financial and investment conditions, may be limited. The real estate market is affected by many factors beyond our control, such as general economic conditions, availability of financing, interest rates, and supply and demand of properties. We cannot predict whether we will be able to sell any of the Portfolio Assets for the price or on the terms desired or set by us, or whether the price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a purchaser or to close a sale in respect of an investment property or other assets. In addition, we may be required to expend funds to maintain properties, correct defects, or make improvements before an investment property or certain other asset can be sold. There is no assurance that we will have funds available for these purposes. Any prolonged repair or maintenance process due to a shortage of funds may impede our ability to respond to adverse changes in the performance of the Portfolio Assets, which may have material adverse effect on our business, financial condition, results of operations, performance and prospects.

In addition, we also hold investment interests in ESR-REIT and other investments primarily in listed companies, including our investments in Sabana REIT and AIMS AMP Capital Industrial REIT in Singapore, Centuria in Australia and CNLP in Hong Kong. The liquidity of these listed equity investments is subject to market conditions, which could impact our ability to dispose of these investments, and we may not be able to dispose of our listed equity investments at favorable prices.

If we are unable to dispose of assets on our balance sheet or held by the development funds we manage or our listed equity investments on favorable terms or at all, we will not be able to execute our strategy, which could adversely affect our business, financial condition, results of operation, performance and prospects. Further, our capital recycling strategy may result in changes in our balance sheet and our income statement and may affect our profitability in the future. See “—Our capital recycling strategy may result in changes in our balance sheet and our income statement in the future” in this section.

Our business is subject to significant regulation and supervision by regulatory authorities in certain jurisdictions, and compliance failures and changes in regulation could adversely affect us.

Our fund management business is subject to significant regulation and supervision in the jurisdictions where we operate, and we incur compliance costs accordingly. We manage a number of funds and investment vehicles in multiple jurisdictions and hold various licenses or rely on valid license exemptions or registrations in some jurisdictions, including the PRC, Japan, South Korea, Singapore and Australia, pursuant to local requirements. In particular, in the PRC, it typically takes longer to complete fund management registration before setting up a new fund vehicle, which may delay our implementation of our core and core-plus strategy in the PRC. In addition, the license exemptions that we rely on can be complex and may in certain circumstances depend on compliance

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by third parties whom we do not control. If for any reason these exemptions were to become unavailable to us, we could become subject to additional restrictive and costly registration requirements, regulatory action or third-party claims. Our fund management agreements specifically provide that, among other things, our fund management services may be terminated in the event that we cease to be licensed, or exempted from the licensing requirements, under relevant local regulations, to provide such services. If our licenses are suspended or revoked by relevant regulatory authorities as a result of any non-compliance with relevant regulatory requirements or if there is any change in the licensing/exemption regimes in the jurisdictions where we provide fund management services and if we fail to fulfill such licensing requirements, the agreements we enter into in connection with the funds and investment vehicles we manage may be terminated by our capital partners, and we may also be required to suspend relevant businesses and be subject to monetary penalties imposed by relevant regulatory authorities, which may have a material adverse effect on our business, financial condition, results of operations, performance and prospects. We may also be materially affected if new or revised legislation or regulations are enacted, or if there are changes in the interpretation or enforcement of existing rules and regulations that apply to us. Such events could increase our costs of doing business, require us to restructure the way in which we carry on our business, or render us unable to continue all or part of our business, which in turn could have a material adverse effect on our business, financial condition, results of operations, performance and prospects. See “Regulatory Overview” in Appendix V to this Prospectus.

In addition, our property development business is subject to various laws and regulations of the countries where we operate. Our activities on the Portfolio Assets are limited by planning laws and regulations, the terms of the relevant government land leases, and other regulations enacted by the authorities in these markets. Developing properties, refurbishing, re-developing and operating properties require government permits, some of which may take longer to obtain than others. The Portfolio Assets are subject to routine inspections by the authorities in these markets with regard to various safety and environmental issues. Changes in laws and regulations or the implementation thereof may require us to obtain additional approvals and licenses from the relevant authorities for the conduct of our operations in these markets. In such event, we may incur additional expenses to comply with such requirements, which may affect our business and results of operations. Furthermore, there may also be delays on the part of the administrative authorities in reviewing our applications and granting approvals, and there can be no assurance that such approvals or licenses will be granted to us promptly, or at all. If we experience delays in obtaining, or are unable to obtain, such required approvals or licenses, the investment, development and leasing of the Portfolio Assets could be substantially disrupted, which may have a material adverse impact on our business, financial condition, results of operations, performance and prospects. The occurrence of any of the foregoing may have a material adverse effect on our financial condition, results of operations and cash flow.

Potential liability for environmental issues relating to the Portfolio Assets and regulations relating to climate change could result in substantial costs.

As an owner, lessor, developer and manager of logistics properties in multiple jurisdictions, we are subject to extensive regulation under environmental laws. These laws vary by jurisdiction and are subject to change. Current and future environmental laws and regulations in relation to climate change could impose significant costs or liabilities on us.

Some of the Portfolio Assets are located in industrial areas. The nature of the past uses of these properties, as well as the past and current uses of surrounding properties, gives rise to increased risk of

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contamination. Environmental legislation in certain jurisdictions imposes strict and retrospective liability for cleaning up contaminated land, watercourses or groundwater on the person causing or knowingly permitting the contamination in circumstances where such contamination is causing, or where there is significant possibility of it causing, significant harm to people or the environment. In some jurisdictions, the owner or occupier of contaminated land could become liable as a “knowing permitter” if it became aware of pollution capable of causing significant harm to people or the environment, had the necessary degree of control over operations on the land to prevent such harm and failed to take certain actions to prevent it. This legislation places liability for clean-up costs on the owner or occupier of contaminated land where no person can be found who has caused or knowingly permitted the presence of the substances which have led to the pollution. Thus, if land we own is contaminated, then, where the person who caused or knowingly permitted such contamination to occur cannot be found, or if, directly or indirectly, a third party is injured or otherwise suffers a loss as a result of the presence of toxic substances on the Portfolio Assets, we might be liable for the costs of cleaning up such contamination. In Australia, generally there is no strict requirement for regulators to pursue the person who causes the pollution in the first instance, and the owner or occupier of contaminated land may not be liable for clean-up costs regardless of whether or not the person who causes the pollution can be located. Further, certain environmental regulations, among other things, impose liability on present and former property owners and operators for costs and damages related to soil and water contaminations from hazardous or toxic substances whether or not the owner or operator knew of, or was responsible for, the presence or release of such hazardous or toxic substances. For example, under the Soil Contamination Countermeasures Act of Japan, a current owner of real property may be held strictly liable for the removal or remediation of hazardous or toxic substances, such as lead, arsenic and trichloroethylene, on or under the surface of such property, whether or not the current owner knew of or was responsible for the presence of such hazardous or toxic substances. We or the funds and investment vehicles we manage may also be held liable under other laws for the use of asbestos and polychlorinated biphenyls, or PCBs, at any of the Portfolio Assets in Japan.

In addition, the presence of hazardous or toxic substances on any of the Portfolio Assets may adversely affect our ability to sell such properties or to borrow using such properties as collateral and the value of such Portfolio Assets may decrease, and may cause us to incur penalties and clean-up costs. We may also become liable if, directly or indirectly, a third party is injured or otherwise suffers a loss as a result of the presence of toxic substances on the Portfolio Assets, and in such a case it is unclear whether we can be indemnified by those who are actually responsible. In such event, unanticipated clean-up costs that we may incur, the adverse effect on the ability to sell properties, the likely adverse impact on our tenants affected by such substance, and the risk of prosecution by governmental authorities may materially adversely affect our business, financial condition, results of operations, performance and prospects.

Climate change regulations in APAC could increase our capital and operating expenses.

Under laws or regulations of certain countries where we operate, owners of certain real estate properties may face obligations to report on, or limit their emissions of, greenhouse gases. For example, in Japan, although some of our tenants are subject to relevant climate change regulations, the portfolio companies holding the Portfolio Assets, in their capacity as the owners of these properties, are also subject to these climate change regulations and may be held liable for greenhouse gas emissions in the event of violation of these climate change regulations. Any such measures may force us to rebuild or repair the Portfolio Assets in order to reduce emissions or obtain emissions credits. Moreover, since some of our tenants’ businesses rely heavily on trucking, if regulations regarding the

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emission of nitrogen oxides and particulates become stricter, our tenants could incur increased compliance costs and demand for logistics facilities could decline. We or any of our tenants may also face new requirements mandating a substantial reduction or regulation in greenhouse gas emissions and implementation of further measures under the Kyoto Protocol and Bali Road Map, which could have far-reaching and significant impacts on us and our tenants. Any such future laws and regulations could result in increased compliance costs or additional operating restrictions, and could have a material adverse effect on us or the demand for logistics facilities. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations, performance and prospects.

We may be involved in disputes or legal and other proceedings in connection with the Portfolio Assets or arising from our operations from time to time, which could result in significant liabilities and reputational harm and could materially and adversely affect our results of operations, financial condition and liquidity.

We have been, and in the future may be, involved, from time to time, in disputes relating to our commercial arrangements and operations, environmental, health and safety, labor and employment, or other harms, including claims resulting from the actions of individuals or entities outside of our control. These disputes may lead to legal or other proceedings, and may cause us to incur additional costs or delays in our operations. In addition, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable orders, directives or decrees that may result in financial losses, and/or delay the construction or completion of the Portfolio Assets. Adverse outcomes in any litigation or other proceedings could have a material adverse effect on our business, results of operations, financial condition or prospects.

In particular, we are exposed to risk of litigation by capital partners of the funds and investment vehicles we manage, if our management thereof is alleged to constitute fraud, negligence, willful default, for breach of applicable laws or regulations, breach of the trust deed or other constitutive documents or breach of any agreements we may have entered into with our capital partners. Capital partners could sue us to attempt to recover amounts lost by the funds or investment vehicles we manage due to our alleged misconduct, up to the entire amount of the loss. Further, we may be subject to litigation arising from investor dissatisfaction with the performance of the funds or investment vehicles we manage. We are also exposed to risks of litigation or investigation relating to transactions where potential conflicts of interest were not properly addressed. See “—As part of our business, we encounter conflicts of interest, and a failure to identify, address and resolve such conflicts of interest could adversely affect our business.” In such actions, we may be obligated to bear legal, settlement and other costs, which may be in excess of available insurance coverage. If we are required to bear all or a portion of the costs arising out of litigation or investigations as a result of inadequate insurance proceeds or failure to obtain indemnification from the funds or investment vehicles we manage, our results of operations, financial condition and liquidity could be materially and adversely affected.

Our tax planning may not be effective.

We have minority investments in many of the funds and investment vehicles we manage, and retain relatively larger investment interests in certain other investment vehicles that we manage. Some of the investments by us or the funds and investment vehicles we manage are in entities that are structured to achieve tax transparency. In particular, in Australia, a condition of transparency is that the investments held by a fund are passive in nature, and primarily focused on the derivation of rental income.

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Certain jurisdictions, including Australia, have adopted legislation that limits the tax deductibility of certain interest expense incurred by companies domiciled/operated in those jurisdictions. For example, there are limits on the tax deductibility of interest paid by heavily geared Australian funds on loans from non-Australian lenders. These measures will most likely adversely affect the Portfolio Assets in Australia in which the funds and investment vehicles we manage have investments, and limit the benefits of additional investments in those jurisdictions. In addition, certain jurisdictions such as South Korea and Australia have sought to tax the investment gains derived by non-resident investors, including private real estate funds, from the disposition of the equity in companies operating in those countries. In some cases this is the result of new legislation or changes in the interpretation of existing legislation and in other cases tax authorities have challenged investment structures that benefit from tax treaties between countries. In the event that our tax planning for ourselves or for the funds or investment vehicles we manage ceases to be effective, whether as a result of a loss or revocation of a tax ruling by a competent tax authority, or a change in (or in the interpretation of) applicable tax laws or otherwise, we may be subject to additional tax assessment, penalties and/or interests thereon, which could reduce the return on our investments and increase our operating costs and expenses, and in turn could have a material adverse impact on our business, financial condition, results of operations, performance and prospects.

We may face corruption, bribery, money-laundering and other internal control risks, and we may not be able to successfully implement, monitor or comply with internal controls, policies and procedures.

We operate in six jurisdictions, some of which may be considered high-risk from an anti-bribery and anti-corruption perspective, and strict compliance with anti-bribery and anti-corruption laws may conflict with local customs and practices. We cannot assure you that our internal controls, policies and procedures are adequate or will protect us from improper conduct by our officers, directors, employees, representatives, third-party intermediaries, tenants, business partners or agents. In the event that we believe or have reason to believe that any such party has or may have violated such laws, we may investigate (or have outside counsel investigate) the relevant facts and circumstances. Detecting, investigating and resolving actual or alleged violations can be expensive and require a significant diversion of time, resources and attention from senior management. In addition, actual or alleged violations could damage our reputation and ability to do business. Any of the foregoing could materially adversely affect our business, financial condition, results of operations, performance and prospects.

We are required to comply with applicable anti-money laundering and anti-terrorism laws and other regulations in the jurisdictions where we operate. The anti-money laundering laws and regulations in the markets we operate require us to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Policies and procedures we have adopted may not completely eliminate instances where our operations may be used by other parties to engage in money laundering and other illegal or improper activities. We may not be able to fully detect money laundering and other illegal or improper activities in our business operations on a timely basis or at all, which could subject us to liabilities and penalties. If we fail to comply with applicable laws and regulations, we could be exposed to claims for damages, civil or criminal financial penalties, reputational harm, incarceration of our employees, restrictions on our operations and other liabilities, which could materially and adversely affect our business, financial condition, results of operations, performance and prospects.

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Certain of the agreements governing the funds and investment vehicles we manage also contain provisions that may result in the termination of our appointment as investment manager or asset manager, as the case may be, if we, or any of our delegates, directors or employees commit fraud, willful default or misconduct or gross negligence in connection with the performance of obligations under the relevant agreement and such action is not cured within a specified timeframe.

In addition, we face other internal control risks of loss resulting from, among other factors, inadequate or flawed processes or systems, theft, and fraud. Operational risk of this kind can occur in many forms including, among others, errors, business interruptions, inappropriate behavior of, or misconduct by, our employees or those contracted to perform services for us, and third parties that do not perform in accordance with their contractual agreements. These events could result in financial losses or other damage to us. Furthermore, we rely on internal and external information technology systems to manage our operations and we are exposed to the risk of loss resulting from breaches in the security, or other failures, of these systems. See “—Any failure, inadequacy and security breach in our computer systems and servers may adversely affect our business.” Any of the foregoing could materially and adversely affect our business, financial condition, results of operations, performance and prospects.

As we are expanding rapidly with a relatively short track record, there is a lack of and need for increased standardization of systems, including IT and backup systems, and processes, including internal communication and delegation of authority. We historically have not had a holistic risk management framework and have not conducted any internal audits or investigations to monitor compliance with our policies, including those with respect to corruption, bribery, anti-money laundering and other internal control risks. Recent internal control reviews conducted by our internal control consultant have identified areas of internal control weaknesses, which has led us to adopt enhanced internal control procedures, including implementing operational procedures for cash and treasury management and insurance management and establishing a register which properly documents the usage of checks. See the sections headed “Business—Risk Management and Internal Control” and “Business—Compliance and Legal Proceedings” in this Prospectus. Though we will monitor our internal control compliance status on a regular basis going forward, there may be potential legacy problems and a lack of familiarity with our enhanced internal control procedures. We cannot assure you that there are no historic or new areas of internal control weaknesses which may materially and adversely affect our business, financial condition, results of operations, performance and prospects in the future.

The valuation of the Portfolio Assets contains assumptions that may not materialize or may prove inaccurate and the value of the Portfolio Assets may not reflect the timely value of such assets.

Real estate assets are inherently difficult to value. Valuations are subject to judgments and estimates and are made on the basis of assumptions that may not necessarily materialize. Additionally, the inspection and other work undertaken in connection with a valuation exercise of the Portfolio Assets may not identify all material defects, breaches of contracts, laws and regulations, and other deficiencies and factors that could affect the valuation. There can be no assurance that our investment in our directly held properties or the property investment made by the funds and investment vehicles we manage will be realized at the valuations or property values recorded or reflected in our financial statements or in this Prospectus. We apply fair value accounting for all of the Portfolio Assets. Independent valuation is carried out on the Portfolio Assets, typically not less than once every year.

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We assess the valuation of the Portfolio Assets to ensure that the carrying amount of each of the Portfolio Assets reflects the market conditions at the relevant financial reporting date. The value of the Portfolio Assets may fluctuate from time to time due to market and other conditions. There is no assurance that the Portfolio Assets will retain the price at which they may be valued or that our investment or the investment made by the funds and investment vehicles we manage in such properties will be realized at the valuation or property values we have recorded or reflected in our financial statements, and the price at which we may sell or lease any part or the whole of the properties may be lower than the valuation for those properties. Adjustments to the fair value of the Portfolio Assets could have an adverse effect on our net asset value and profitability. It may also affect our ability to obtain more borrowings, or result in us having to reduce debt, if the financial covenants in our financing and other agreements require us to maintain a certain level of debt relative to gross asset value, and such covenants are triggered as a result of adjustments to the fair value of the Portfolio Assets.

In addition to valuations of the Portfolio Assets, we also undertake due diligence on potential acquisitions in order to assess the risks associated with such acquisitions. However, such due diligence procedures may not reveal all risks or defects associated with a Portfolio Asset. See “—Due diligence on acquisitions and investments, either by us or by the funds and investment vehicles we manage, may not reveal all relevant facts that may be relevant in connection with an acquisition or an investment, or identify all material defects or other deficiencies.”

The expert appraisals and reports upon which we rely for the acquisitions and operations of Portfolio Assets are subject to significant uncertainties and assumptions.

We may obtain appraisals as well as engineering, environmental and seismic reports in connection with project assessment and site selection for new logistics facilities. However, these reports cannot give a precise assessment of the past, present or future value or engineering, environmental or seismic conditions of the relevant logistics facilities. Furthermore, the appraisers and other experts use a variety of different review methodologies or different sets of assumptions, which could affect the results of such appraisals, reports and the conclusions that the appraisers, other experts and we can draw from them. Thus, different experts reviewing the same logistics facility could reach significantly different conclusions.

Engineering, environmental and seismic reports we have obtained for the Portfolio Assets may not reveal all material risks or liabilities and may not be an accurate reflection of such risks, because such risks are often hidden or difficult to evaluate. If we were to discover any significant, unidentified engineering, environmental or seismic liabilities, the value of the affected logistics facility could fall, we may be required to incur additional costs and discharge of the liability could be time consuming. For example, in accordance with customary practice in Japan, we disclose certain information relating to a logistics facility’s PML to our capital partners of the relevant funds and investment vehicles we manage based on reports we receive from third parties. PML percentages are based on complicated, highly speculative building engineering reports that include many subjective factors and are based on numerous assumptions. We are not an expert in assessing earthquake risk, and cannot independently verify the PML percentages provided to us, and the uncertainties inherent in such reports limit the value of them to us.

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The Portfolio Assets or parts thereof may be acquired compulsorily by governments of the countries in which we operate.

Governments of the countries where we operate have the power to compulsorily acquire any land in the respective countries for the public interest pursuant to the provisions of applicable legislation. For example, for properties located in Singapore, the Singapore government has the power to acquire any land in Singapore for any public purpose and for any residential, commercial or industrial purposes. Moreover, the Indian government under the provisions of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 has the right to compulsorily acquire any land if such acquisition is for a “public purpose”, after providing compensation to the owner. The likelihood of such acquisitions may increase as central and state governments seek to acquire land for the development of infrastructure projects such as roads, railways, airports and townships. The amount of compensation to be awarded for compulsory acquisition of property in the countries where we operate is assessed pursuant to the relevant laws and regulations. If any of the Portfolio Assets in the countries where we operate is acquired compulsorily by the relevant government, and we or the funds or investment vehicles we manage are not able to win a favorable judgment after appealing to the courts in the relevant jurisdiction for reconsidering the validity of such compulsory acquisition, the level of compensation paid to us or the funds or investment vehicles we manage pursuant to this calculation method may be less than the acquisition price which we or the funds or investment vehicles we manage paid for such properties.

A large proportion of our existing shareholders comprise institutional investors and private equity investors who may not act in the best interest of our other Shareholders.

We are currently a private company incorporated with limited liability in the Cayman Islands and, prior to the Global Offering, a large proportion of our shares are held by institutional investors and private equity investors including WP OCIM, APG-Stichting and the Chinese Institutional Investors. In particular, immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), WP OCIM, will hold 24.1% (if Luckfield Global Limited is a Selling Shareholder) or 23.6% (if Luckfield Global Limited is not a Selling Shareholder) of the issued share capital of our Company. For more information relating to WP OCIM, its controlling entities and their shareholdings in our Company, see the sections headed “Substantial Shareholders” and “Relationship with Warburg Pincus X” in this Prospectus. The nature of such investments by these shareholders and other of our investors may mean that, should a suitable opportunity arise which allows them to meet their investment objectives in relation to their investment in us, they may divest, subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Stock Exchange, some or all of their shares to other parties including, but not limited to, other existing shareholders, which may potentially trigger change of control and similar provisions under certain business contracts and financing arrangements to which we and our subsidiaries are party. If counterparties to the relevant agreements exercise termination or other rights in respect of the change of control of our Company, our business, financial condition and results of operations could be materially adversely affected. For details of our existing institutional investors and private equity investors, see the section headed “History, Development and Corporate Structure—Pre-IPO Investments” in this Prospectus. In addition, our existing shareholders who are institutional investors and private equity investors may from time to time exert, or attempt to exert, influence over our business to achieve their own economic objectives, or other objectives which may otherwise not be in the best interest of our other shareholders.

Further, we may, in the future, seek to raise additional equity capital funding from new or existing institutional and/or private equity investors or shareholders or from financial or other

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investors, which could result in a change in the composition of our shareholders and/or result in a dilution to existing shareholders, and which may be material. There can be no assurance that new investors who become our shareholders as a result of the equity capital fundraising will act in the best interest of our other shareholders, nor can we guarantee that existing shareholders acquiring more holdings of our company may continue to act in the best interest of all shareholders.

The costs of the Post-IPO Share Option Scheme may adversely affect our results of operations and any exercise of the options granted thereunder may result in a dilution of our Shareholders' shareholdings and the exercise of options granted under the KM ESOP may adversely affect our results of operations.

For the years ended December 31, 2016, 2017 and 2018 and for the six months ended June 30, 2018 and 2019, we recognized equity-settled share option expenses of approximately US\$75,000 (from pre-2016 grants), US\$11.9 million, US\$23.2 million, US\$12.0 million and US\$9.9 million, respectively, in connection with the awards granted under our pre-IPO share option schemes. For details of our pre-IPO share option schemes, see the section headed "Statutory and General Information—D. KM ESOP, Tier 1 ESOP and Post-IPO Share Option Scheme" in Appendix VIII to this Prospectus. Further, for the purpose of providing incentives to eligible participants to contribute to us and enabling us to recruit high caliber employees and to attract or retain human resources that are valuable to us, we adopted the Post-IPO Share Option Scheme on October 12, 2019. See the section headed "Statutory and General Information—D. KM ESOP, Tier 1 ESOP and Post-IPO Share Option Scheme" in Appendix VIII to this Prospectus. We expect to incur less share-based compensation expenses under our pre-IPO share option schemes after the completion of the Global Offering, as there will not be new grants under those schemes. We expect share-based compensation expenses after the completion of the Global Offering to be largely driven by new grants under the Post-IPO Share Option Scheme. However, under our KM ESOP, in specified circumstances, in lieu of the participant paying the exercise price to exercise an option, the participant may elect to receive a net cash settlement equal to the value of the shares in respect of which the option is being exercised less the exercise price otherwise payable for those shares. This may result in a reduction in our cash flows and working capital and may adversely affect our liquidity and business operations. Additionally, the issue of Shares on any exercise of the Post-IPO share options in the future would result in a reduction in the percentage ownership of our shareholders and may result in a dilution in the earnings per Share and net asset value per Share, as a result of the increase in the number of Shares outstanding after such issuance.

We are subject to risks relating to foreign currency exchange rate fluctuations.

Because of the geographic diversity of our business, we receive income and incur expenses in a variety of currencies, including the Chinese Renminbi, Japanese Yen, Korean won, Singapore dollar, Australian dollar, Indian rupees, and U.S. dollar. It is not possible to predict the effect of future exchange rate fluctuations on our assets, liabilities, income, cost of sales and margins. In addition, some of the currencies used by us may not be readily convertible or exchangeable or may be subject to exchange controls. Furthermore, while we receive income and incur expenses in a variety of currencies, we report our financial results in U.S. dollars. Therefore, fluctuations in currency exchange rates could materially affect our reported financial results. The foreign exchange gains or losses we recorded in various line items in our profit and loss statements result from the settlement of foreign currency translations, which are translated into the functional currency of U.S. dollars using prevailing foreign exchange rates at the dates of the relevant transactions or valuation where items are re-

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measured, and from the translation at the year-end foreign exchange rates of the monetary assets and liabilities denominated in foreign currencies. For example, during the Track Record Period, revenues from our rental income decreased slightly in 2016 partially due to foreign exchange translation from Chinese Renminbi to U.S. dollars. Such foreign exchange gains or losses differ from exchange differences on translation of foreign operations in other comprehensive income, which are calculated based on certain subsidiaries' financial statements for which non-U.S. dollar functional currencies are translated into the functional currency of U.S. dollars. In 2016, 2017 and 2018 and for the six months ended June 30, 2018 and 2019, exchange differences on translation of foreign operations amounted to approximately US\$(38.4) million, US\$46.3 million, US\$(57.8) million, US\$(4.9) million and US\$(1.1) million, respectively. See the section headed "Financial Information—Principal Components of Our Consolidated Statement of Profit or Loss" in this Prospectus. Any future fluctuations in currency exchange rates could materially adversely affect our business, financial condition and results of operations.

We may suffer substantial losses in the event of a natural or man-made disaster, such as an earthquake, typhoon or other casualty event in the countries where we operate, which may not be covered by insurance.

Natural disasters, severe weather conditions, catastrophe or other events, all of which are beyond our control, may adversely affect the economy and infrastructure of the countries where we operate and/or result in severe personal injury, property damage and environmental damage, which may curtail our business operations and materially adversely affect our prospects, financial condition and results of operations. Some cities where we operate are under the threat of typhoon, flood, earthquake, severe storm, sandstorm, snowstorm, fire and drought. See "—Our Japanese operations and real estate may be disrupted due to earthquakes, typhoons or other natural disasters." If any of the Portfolio Assets are damaged by severe weather or any other disaster, accident, catastrophe or other event, our operations may be significantly interrupted and our business and financial condition may be adversely affected. The continuance of any of these events could increase the costs associated with our operations and reduce our ability to operate our businesses at their intended capacities, thereby reducing revenues and profitability.

In addition, although we maintain insurance coverage on all of the Portfolio Assets in accordance with what we believe to be industry standards, insurance policies generally do not cover certain types of losses such as war, civil disorder and acts of terrorism and/or our business interruption risks under certain circumstances and the claim amounts under insurance policies are subject to limits, which may not cover the total amount of any loss or liability incurred. In addition, we do not insure for every risk, such as earthquake risks. For example, while all of our buildings in Japan are designed and built to the highest seismic amelioration standards and are compliant with the relevant statutory seismic design codes, we do not insure earthquake risks, which is not uncommon in Japan for companies operating in our industry, as such insurance is generally unavailable to cover all of our assets in Japan. An earthquake could severely damage or otherwise adversely offset our logistics facilities and if our tenants were to suffer significant uninsured losses due to earthquake damage to one or more of our facilities, it could reduce their demand for our facilities and therefore have a material adverse effect on our business, financial condition, results of operations, performance and prospects. Such accidents may expose us to liability or other claims by our tenants and other third parties. Although we believe that we have adequate insurance arrangements in place to cover such eventualities, it is possible that our estimates may not be accurate and that accidents or incidents could occur which are not covered by these arrangements. Any substantial losses arising from the occurrence

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of any such accidents or incidents that are not covered by insurance could adversely affect our business and results of operations.

We are subject to restrictions on the repatriation of funds in the PRC, South Korea and India.

We may be subject to foreign exchange controls that may adversely affect the ability to repatriate the income or proceeds of sale arising from the Portfolio Assets. For example, the PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and the remittance of currency out of the PRC. See “—Restrictions on the remittance of Renminbi into and out of the PRC and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.” Additionally, under foreign exchange regulations currently in force in India, transfer of shares between non-residents and residents are not freely permitted (subject to certain exceptions and subject to compliance with the valuation and reporting requirements specified by the Reserve Bank of India). Additionally, conversion of Indian rupee proceeds from a sale of shares in India into foreign currency and repatriation of that foreign currency from India requires a no-objection or a tax clearance certificate from the Indian income tax authorities. Repatriation of income, capital and the proceeds of sale may require the consent of, and depending upon the provisions of the Double Taxation Avoidance Agreement of India with the country of residence of the investor, may be subject to taxation by, the relevant governments in the PRC, South Korea and India, and may also be subject to stipulations relating to lock-in periods prescribed under the applicable laws in India. In particular, disposition of the Portfolio Assets may incur potential tax costs such as capital gain tax regardless of a direct or indirect sale and local taxes with respect to disposition of real estate or stocks in real estate rich companies as well as trigger relevant local tax reporting or filing requirements in certain of the jurisdictions where we operate. Delays in, or a refusal to grant, any such approval, a revocation or variation of consents previously granted, or the imposition of additional taxes or new restrictions, may adversely affect our business, financial condition, results of operations, performance and prospects.

Any limitation on the ability of our subsidiaries to make dividend payments to us could have a material adverse effect on our ability to conduct our business or our financial condition.

We are a holding company, and we receive dividends and other distributions on equity that may be paid by our subsidiaries in the countries where we operate, for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to the holders of our ordinary shares and service any debt we may incur. If our subsidiaries incorporated in these countries incur debt on their own behalf, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us. In addition, even if our subsidiaries are allowed to pay dividends or make other distributions to us, tax regimes in some of the countries where we operate generally require our subsidiaries to withhold a certain percentage of the dividend or after-tax profit to fund certain statutory reserves. Although a bilateral income tax treaty may be applied to reduce such withholding tax, such treaty benefit may not be available as its applicability depends on the income tax treaty framework of the payor country and whether a tax payor is qualified to claim benefit under the relevant tax treaty.

For instance, under the PRC laws and regulations, WFOE may pay dividends only out of their retained earnings as determined in accordance with the Chinese accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to fund certain statutory

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reserve funds, until the aggregate amount of such a fund reaches 50% of its registered capital. Subject to approval by shareholders of the wholly foreign-owned enterprise, it may allocate a portion of its after-tax profits based on the Chinese accounting standards to staff welfare and bonus funds. These reserve funds and staff welfare and bonus funds are not distributable as cash dividends.

In South Korea, cash dividends can only be paid out of distributable profit, as defined in the Korean Commercial Code (“KCC”). The dividends must be approved at the annual general meeting of shareholders. The KCC also requires that a legal reserve of 10% of the amount of the dividend be set aside, unless the legal reserve has been accumulated to not less than half of the stated capital.

Under Australian laws and regulations, Australian companies may only pay dividends where a company has sufficient net assets, the dividend is fair and reasonable to a company’s shareholders as a whole and the dividend does not materially prejudice a company’s ability to pay its credits. The directors must also be satisfied that the company has sufficient profits and must ensure any additional requirements imposed by a company’s constitution are met. In relation to trusts (which are another type of Australian entity), distributions must be made in accordance with the relevant trust deeds which were entered into before we acquired our Australia business and may impose a variety of conditions that must be complied with before a distribution is made, some of which may be beyond our control.

Under current Indian tax laws, a company is liable to pay a dividend distribution tax as applicable from time to time on the total amount distributed as dividend. Any changes in the rate of dividend distribution tax or other applicable taxes may adversely affect our subsidiaries’ ability to pay dividends or make other distributions to us.

Any limitation on the ability of our wholly-owned subsidiaries incorporated in the jurisdictions where we have operations and into which we may expand to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

We are subject to risks related to our use of independent service providers for the provision of essential services, including construction and property management services in particular.

We engage contractors and independent third-party service providers in connection with our business, including construction contractors, property managers, property valuers, and real estate agents. We outsource the structural design and construction of development projects to third-party contractors which are overseen by our development management team. We engage third-party service providers to provide professional property management services and conduct property maintenance work on our logistics properties, including regular cleaning, repairing and security for our logistics facilities, under the supervision of our property manager. We engage third-party valuers to perform independent valuations of the Portfolio Assets. We also occasionally engage third-party real estate agents to procure tenants. There can be no assurance that our contractors or independent service providers will always perform to contractual specifications or on schedule, or that such contractors or providers will continue their contractual relationships with us under commercially reasonable terms, if at all, and we may be unable to source adequate replacement services in a timely or cost-efficient manner. Properties that we develop with the help of third-party contractors may prove to have defects for which we are not able to hold the contractor responsible and we would be required to spend additional time and expense on implementing remedial measures. For example, one of the properties on our balance sheet was discovered to have sinking floors. As we were the ultimate decision maker in

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choosing the approach to backfilling and enhancing the floors from several options available to us, it would be difficult for us to hold the third-party contractor liable for the defect, and therefore we would need to take corrective measures at our own expense.

There is also a risk that our major contractors and service providers may experience financial or other difficulties, which may affect their ability to discharge their obligations, thus delaying the completion of their work which may result in additional costs for us or the funds or investment vehicles we manage. Any of these factors could have a material adverse effect on our business, financial condition, results of operations, performance and prospects.

Any failure, inadequacy and security breach in our computer systems and servers may adversely affect our business.

Our operations depend on our ability to process a large number of transactions on a daily basis across our network of offices, most of which are connected through computer systems and servers to our centralized data centers. Our financial, accounting or other data processing systems may fail to operate adequately or become disabled as a result of events that are beyond our control, including a disruption of electrical or communications services. Our ability to operate and remain competitive will depend, in part, on its ability to maintain and upgrade our information technology systems on a timely and cost-effective basis. The information available to, and received by, our management through our existing systems may not be timely and sufficient to manage risks or to plan for and respond to changes in market conditions and other developments in our operations. We continue to assess the adequacy of our computer systems and implement improvements to our platform. For example, we are in the process of implementing the SAP enterprise software platforms in Australia and India. We may experience difficulties in upgrading, developing and expanding our systems quickly enough to accommodate changing times.

Our operations also rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Although we have employed significant resources to develop our security measures against breaches, our cybersecurity measures may not detect or prevent all attempts to compromise our systems. Our computer systems, servers and software, including software licensed from vendors and networks, may be vulnerable to unauthorized access, computer viruses or other malicious code and other events that could compromise data integrity and security and result in identity theft, including tenant data, employee data and proprietary business data, for which we could potentially be liable. Any failure to effectively maintain, improve or upgrade our management information systems in a timely manner could adversely affect our competitiveness, financial position and results of operations. Moreover, if any of these systems do not operate properly, are disabled, or if there are other shortcomings or failures in our internal processes or systems, it could affect our operations or result in financial loss, disruption of our businesses, regulatory intervention or damage to our reputation. In addition, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our business, which could have a material adverse effect on our business, financial condition, results of operation, performance and prospects.

We may fail to effectively manage confidential information received from our tenants and capital partners, which could harm our reputation, our relationships with tenants or capital partners and our business.

In the normal course of business, we obtain confidential information from our tenants in connection with the leases they enter into, and from our capital partners in connection with their

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investments in the funds and investment vehicles we manage. Our efforts to protect this information may be unsuccessful due to employee errors or malfeasance, technical malfunctions, the actions of third parties (such as hacking and other cyber attacks) or other factors. Failure to protect the confidential information of our tenants or capital partners could expose us to liability, harm our reputation and deter current and potential tenants and capital partners from doing business with us, which could have a material adverse effect on our business, financial condition, results of operation, performance and prospects.

We may not be able to prevent the unauthorized use of our intellectual property and may be subject to intellectual property infringement or misappropriation claims, which could harm our business and competitive position.

We regard our trademarks, domain names and similar intellectual property as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality and non-compete agreements with our employees and others, to protect our proprietary rights. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. In addition, there can be no assurance that our trademark applications will be approved, that any issued trademarks will adequately protect our intellectual property, or that such trademarks will not be challenged by third parties or found by a judicial authority to be invalid or unenforceable.

In addition, we cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate trademarks, copyrights or other intellectual property rights held by third parties. We may be subject to legal proceedings and claims relating to the intellectual property rights of others. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. Defending against these claims and proceedings is costly and time consuming and may divert management's time and other resources from our business and operations, and the outcome of many of these claims and proceedings cannot be predicted. If a judgment, a fine or a settlement involving a payment of a material sum of money were to occur, or injunctive relief were issued against us, it may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question, and our business, financial position and results of operations could be materially and adversely affected.

We are subject to extensive occupational health and safety regulations, which could impose significant costs or liabilities on us.

The owners of the Portfolio Assets, whether it be us with respect to our directly held properties or the portfolio companies with respect to the properties that are held by the funds and investment vehicles we manage, have obligations under the various occupational health and safety regulations in the PRC, Japan, Australia and India. While appropriate risk management procedures, training and introduction programs (for employees, construction workers and third party contractors) are in place at all of the Portfolio Assets, any failure in health and safety performance may result in penalties for non-compliance with relevant regulatory requirements, and a failure that results in a significant health and safety incident is likely to be costly in terms of potential liabilities incurred as a result. Such a failure could generate significant negative publicity and have a corresponding impact on our

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reputation, our relationships with relevant regulatory agencies or governmental authorities, and our ability to attract tenants and employees, which in turn could have a material adverse effect on our business, financial condition, results of operations, performance and prospects. Even if we are in compliance with applicable occupational health and safety regulations, any significant health and safety incident, such as bodily injury or death, may still lead to negative publicity and trigger scrutiny from regulatory agencies or authorities.

If more stringent labor laws or other industry standards in APAC become applicable to us, our business, financial condition, results of operations, performance and prospects may be adversely affected.

APAC generally has stringent labor legislation that protects the interests of workers, including legislation that sets forth detailed procedures for dispute resolution and employee removal and legislation that imposes financial obligations on employers upon retrenchment. In addition, we may be subject to certain industry standards regarding our employees. Our employees may in the future form unions. If these labor laws or industry standards become more stringent or are more strictly enforced, or if our employees unionize, it may become difficult for us to maintain flexible human resource policies, discharge employees or downsize, any of which could have a material adverse effect on business, financial condition, results of operations, performance and prospects. See “—Failure to fully comply with labor dispatch regulations in the PRC may expose us to potential penalties.”

Further, the introduction of legislation imposing new restrictions on working hours or conditions of workers in general or in the logistics real estate industry and fund management industry could have an adverse effect on our business, financial condition, results of operations, performance and prospects.

The occurrence of a contagious disease or any other serious public health concerns around the world, and particularly in APAC, could affect our business, financial condition, results of operations, performance and prospects.

Some cities where we operate have previously been subject to, or may be under the threat of, Severe Acute Respiratory Syndrome, H5N1 avian flu, H1N1 human swine flu, Middle East respiratory syndrome coronavirus (MERS-CoV) and the Zika virus. In 2003, there was an outbreak of SARS in Hong Kong, the PRC and other Asian countries. The SARS outbreak in 2003 had a significant adverse impact on the economies of many of the affected countries. There have also been sporadic outbreaks of the H5N1 virus or “Avian Influenza A” among birds, in particular poultry, as well as some isolated cases of transmission of the virus to humans. In 2009 and 2010, there have also been outbreaks among humans of the H1N1 human swine flu, also known globally as influenza A (H1N1).

There can be no assurance that there will not be another significant outbreak of a highly contagious disease in the future in the markets where we operate or that may affect us. Nor can there be any assurance that any precautionary measures taken against infectious diseases will be effective. If such an outbreak were to occur, together with any resulting restrictions on travel and/or imposition of quarantines, it could have a negative impact on the economy and business activities in areas where we operate, which could in turn have a material adverse impact on our business, financial condition, results of operations, performance and prospects.

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Terrorist attacks, civil unrest, hostilities, and other acts of violence or war, and adverse political developments may affect our business, financial condition, results of operations, performance and prospects.

Terrorist activities have contributed to the substantial and continuing economic volatility and social unrest in APAC. Any developments stemming from these events or other similar events could cause further volatility. Any significant military response by relevant governments or any further terrorist activities could also materially and adversely affect international financial markets and the economies of the countries where we operate and may adversely affect our operations, revenues and profitability. Local civil disturbances witnessed in certain countries, such as India, and any future civil unrest and any other adverse social, economic or political events could have an adverse effect on our business. The consequences of any of these terrorist attacks or armed conflicts are unpredictable, and we may not be able to foresee events that could have a material adverse effect on our business, financial condition, results of operations, performance and prospects.

Risks Relating to Our Business in the PRC

We may face penalties for the non-registration of our lease agreements with tenants and the lease agreements for the properties we lease in the PRC.

Pursuant to Urban Real Estate Law, lease agreements are required to be filed for registration and record with the relevant real estate administration authorities. The registration of lease agreements requires cooperation of the tenants and lessors, including the provision of various original documents to the relevant local authority by the tenants and lessors. As of the Latest Practicable Date, 34.6% of our lease agreements with tenants in the PRC by GFA, which covers GFA of approximately 0.36 million sq.m., and 2.6% of the lease agreements for the properties we lease in the PRC by number of lease agreements had been registered and filed with the relevant land and real estate administration bureaus. We were not able to complete the remaining lease registration processes as the relevant tenants or lessors did not cooperate and provide us with the necessary documentation required under the relevant PRC legislation and/or by the relevant local authorities, such as: (i) the original or certified copy of land use right certificate (for our lessors); (ii) the original or certified property title certificate (for our lessors); (iii) the original or certified copy of business licenses (for our tenants or lessors); and (iv) the original or certified copy of personal identification of the legal representatives (for our tenants or lessors) to register the lease agreements with the local government authorities.

While we have been trying to register these lease agreements throughout the Track Record Period, our tenants or lessors were not willing to cooperate primarily because the non-registration does not affect the validity of the lease agreements and due to the inconvenience caused by providing the various original documents. Furthermore, cooperating in the lease registration process was not a contractual obligation of our tenants under their lease agreements in the past. For more details, see the section headed “Business—Compliance and Legal Proceedings” in this Prospectus. Non-registration does not affect our rights or entitlements to lease out the facilities to tenants, or the validity or the binding effect of the lease agreements over contracting parties. However, pursuant to the provisions of the Urban Real Estate Law, the lease agreements are required to be registered and recorded with the relevant local real estate administration authorities. Pursuant to the requirements of the PRC Administrative Measures of Commodity Property Leases (商品房屋租賃管理辦法) and relevant local rules, we may be subject to requests by the local authorities to complete the registration formalities and/or penalties for the non-registration of property lease agreements imposed by the local authorities. As some PRC local governments have not issued or implemented specific penalty rules for the

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non-registration of lease agreements, our PRC Legal Advisor conducted an estimate based on the penalty rules that have been published by relevant PRC local governments and has advised us that, as of the Latest Practicable Date, we may be subject to an estimated maximum penalty of approximately RMB0.48 million (approximately US\$0.07 million) in aggregate for the non-registration of these lease agreements, which our Directors believe will not have any material adverse impact on our business operations or financial performance if imposed on us by the relevant authorities.

As of the Latest Practicable Date, we had neither received a request from any government authority in the PRC to complete the registration formalities nor been penalized for the non-registration of our lease agreements. We intend to register lease agreements to the extent practicable. Nevertheless, there can be no assurance that we will not be subject to such penalties and/or requests for undertaking the registration formalities in the future, any of which could increase our costs.

The PRC Government may require us to forfeit our land use rights or penalize us if we were to fail to comply with the development commencement deadline as specified in our land grant contracts and our land parcels were to be deemed idle lands by the PRC Government.

We may fail to comply with the terms of land grant contracts with the PRC Government due to a delay in commencing our developments or as a result of factors outside of our control. As a result of the non-compliance, if the land in question is deemed “idle” in accordance with the applicable laws, the PRC local governments may impose on us an “idle” land fee or require forfeiture of the land. See “Regulatory Overview—A. PRC Laws and Regulations—4. Development of Warehousing Projects—(i) Commencement of Warehousing Development Projects” in Appendix V to this Prospectus.

As of the Latest Practicable Date, we had one land parcel of approximately 102,300 sq.m. of land area that was deemed idle land by the relevant PRC local government. Based on a confirmation letter issued by relevant competent PRC local government authority on June 16, 2017, the relevant PRC local government authority has confirmed that this particular land parcel was deemed as idle land. Pursuant to the investment agreement and land grant contract in connection with this particular land parcel, the PRC local government had the contractual obligation to deliver this land parcel to us with the necessary preparatory work completed by March 1, 2014. Such preparatory work included ground leveling and access to power supply, water supply and road transportation. However, the PRC local government was unable to deliver this land parcel with such preparatory work completed before the agreed deadline and as a result, we were unable to commence construction on this land parcel within the deadline for commencement of development as specified in the relevant land grant contract, resulting in the land parcel being deemed as idle land. As advised by our PRC Legal Adviser, as it was due to government actions that such land parcel was deemed as idle land, it is unlikely that the relevant PRC local government will forfeit our land use right thereof or impose an “idle land” fee or other penalties on us. Regardless of the foregoing, we cannot assure you that we will be able to comply with the PRC regulations and rules relating to idle land going forward. As a result, if the relevant PRC local governments were to require us to forfeit the relevant land or impose an “idle land” fee or other penalties on us, we may suffer financial loss, including our investments in the land, any land premiums paid and development costs incurred, we may lose our ability to bid for adjacent land, and the existing tenants on such properties may initiate complaints or claims on us if they have to relocate as a result of potential forfeiture of the relevant land parcels by relevant PRC local governments. Because each parcel of land is unique, we may not be able to procure similar parcels of land. Any of these results could materially and adversely affect our business, financial condition, results of operations, performance and prospects.

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If we were to fail to commence or complete construction within a certain time period or develop property projects according to the investment criteria set forth in the land grant contracts and/or investment agreements, the PRC Government may hold us liable for breach of contract.

We may fail to comply with the terms of land grant contracts and/or investment agreements with the PRC Government due to a delay in commencing or completing our developments or as a result of factors out of our control. As a result of such non-compliance, the PRC local governments may hold us liable for breach of contract or terminate the relevant land grant contracts and/or investment agreements where the construction did not timely commence or complete pursuant to the agreed timeline.

Failure to commence or complete construction within a certain time period pursuant to terms of land grant contracts.

As of the Latest Practicable Date, the aggregate land area of the land parcels held by our PRC subsidiaries and joint ventures that did not comply with the deadlines for commencement or completion of development as specified in the relevant land grant contracts was approximately 1.07 million sq.m. Such delay in commencement or completion of development was mainly due to the delay in completing relevant government administrative procedures or documentary work. As of the Latest Practicable Date, we obtained written or verbal confirmations from the relevant PRC local government authorities that they will not seek liquidated damages from our respective PRC subsidiaries and joint ventures, or paid liquidated damages thereunder and entered into supplemental agreements with the relevant PRC local government authorities for our land parcels of 0.97 million sq.m of land area in aggregate on which we did not commence and/or complete construction within a certain time period as specified in the relevant land grant contracts. As advised by our PRC Legal Advisor, the relevant PRC local government authorities that provided the aforesaid written or verbal confirmations, as applicable, are competent government authorities in the PRC that are able to issue such confirmations. Details of the two remaining land parcels with a total land area of 0.10 million sq.m. are set out below:

- (i) according to the relevant land grant contract in connection with the first remaining land parcel of 0.07 million sq.m., construction was to be commenced on September 4, 2019. As of the Latest Practicable Date, we had not commenced construction on this land parcel due to the prolonged process of preparing the application files in connection with the commencement of construction in order to appropriately address the comments received from relevant government authorities. Based on our PRC Legal Adviser's interview with the Emerging Industry Demonstration Zone Branch of Land and Resource Bureau of Langfang City (the "**Emerging Industry Branch**") in October 2019, the Emerging Industry Branch confirmed that (i) from September 4 to September 30, 2019, it would not seek liquidated damages from our relevant PRC subsidiary that did not comply with the deadline for commencement of development; and (ii) from October 1, 2019 onwards, it would not seek liquidated damages from such PRC subsidiary if we had not commence construction provided that (a) we maintain effective communications with the Emerging Industry Branch with respect to the progress of this matter; and (b) we will be able to submit documentations in a form satisfactory to the Emerging Industry Branch evidencing that the delay in commencement of development is due to genuine practical difficulties

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arising from the preparation of the application documents and complete all the requisite procedures and formalities in order to commence construction. If we fail to provide valid and satisfactory documentary evidence, we shall be liable for breach of the associated land grant contract and be required to pay liquidated damages in an amount of RMB39,000 (approximately US\$5,503.2) per each day of delay. We expect to commence construction work on this remaining parcel of land before the end of the year; and

- (ii) on September 25, 2019, we acquired a 0.03 million sq.m. land parcel from an independent third party. According to the relevant land grant contract, construction was to be commenced on March 18, 2019. As of the Latest Practicable Date, we had not commenced construction on this land parcel as (i) the seller of this land parcel did not commence construction before it transferred this land to us, and (ii) since September 25, 2019, the date of the completion of our acquisition of this land parcel, we have been preparing application files in connection with the commencement of construction with the aim to commence construction before the end of this year. Based on our PRC Legal Adviser's interview with the Anci District Branch of Land and Resource Bureau of Langfang City (the "**Anci District Branch**") in October 2019, the Anci District Branch confirmed that (i) it will issue a written notification after our relevant PRC subsidiary obtains the requisite permit and start looking into the matter of delay in the commencement of development after we have commenced construction on this land parcel; and (ii) we will have the right to explain the reasons for such delay to the Anci District Branch, and in the event that the relevant PRC government authority ultimately determines that we are at fault for the delay, we shall be required to pay liquidated damages in an amount of RMB25,400 (approximately US\$3,584.1) per each day of delay. Pursuant to the share purchase agreement entered into between the seller and us, in the event that the relevant PRC government authority holds our relevant PRC subsidiary liable for breach of the land grant contract and seeks liquidated damages from our relevant PRC subsidiary, we have the right to seek indemnification from the seller in the amount of RMB3.4 million (approximately US\$0.5 million), subject to certain adjustments.

As advised by our PRC Legal Advisor, the Emerging Industry Branch and the Anci District Branch are competent government authorities in the PRC that are able to opine on the relevant matters as disclosed above. As of the Latest Practicable Date, we had not been requested by any PRC government authority to pay liquidated damages for not complying with the deadline for commencement of construction as stipulated in the relevant land grant contracts as disclosed above.

Failure to commence or complete construction within a certain time period pursuant to terms of investment agreements and failure to abide by any other terms of investment agreements.

As of the Latest Practicable Date, one of our PRC subsidiaries, holding land parcels of approximately 266,037 sq.m of aggregate land area, did not strictly follow the development schedule as specified in their investment agreements. As advised by our PRC Legal Advisor, if the relevant government authority holds us liable for not strictly following the development schedule specified in the investment agreement entered into by this subsidiary, the PRC local government authority may seek maximum liquidated damages of RMB1.7 million (approximately US\$0.2 million). Additionally, failure by us to abide by any terms in the investment agreements may result in the cancellation of certain government subsidies granted to us, if any, under the relevant investment agreement.

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Although the possibility of the relevant government authorities holding us liable for breach of contract or terminating the relevant land grant contracts and/or investment agreements is remote, if the relevant government authorities were to hold us liable for breach of contract or terminate the relevant land grant contracts and/or investment agreements, we may suffer financial loss, including our investments in the land, any land premiums paid and development costs incurred, we may lose our ability to bid for adjacent land, and the existing tenants on such properties may initiate complaints or claims on us if they have to relocate as a result of potential forfeiture of the relevant land parcels by relevant government authorities. Because each parcel of land is unique, we may not be able to procure similar parcels of land. Any of these results could materially and adversely affect our business, financial condition, results of operations, performance and prospects.

In addition, pursuant to some of our land grant contracts and/or investment agreements with PRC local governments, we are required to develop property projects according to investment criteria set forth in the land grant contracts and/or investment agreements, including those relating to the total investment amount, the average investment amount per sq.m., the total investment amount of fixed assets and the tax payable per sq.m of the built-up areas. We cannot assure you that each of our projects under development will fulfill the investment criteria as specified in the relevant land grant contract and/or investment agreement. As advised by our PRC Legal Adviser, if we fail to develop a property project according to the investment criteria set forth in the land grant contract and/or investment agreement, the relevant PRC local government authorities may seek liquidated damages from us and/or reduce the land area in the land use right granted to us proportionately. As of the Latest Practicable Date, we had not been requested by any PRC local government to pay liquidated damages for not fulfilling the investment criteria set forth in any land grant contract and/or investment agreement.

The actual or intended usage of some land or properties held by our PRC subsidiaries or by our joint ventures may not be in full compliance with legal zoning or usage requirements.

Certain land held by our PRC subsidiaries or our joint ventures for developing modern logistics facilities are zoned for “industrial or other usage” rather than for logistics use, and certain properties owned by our PRC subsidiaries or our joint ventures are used for logistics and warehousing purposes instead of their intended use on the relevant property or land certificates. Such intended development or actual use may be found by the PRC local governments to be incompatible with zoning or other legal designations and therefore penalties may be imposed on the relevant subsidiary or joint venture, such as administrative actions taken by relevant government departments to prevent continuing non-conforming use, including issuing warnings or rectification orders, imposing fines or forfeiture of land without compensation. As of the Latest Practicable Date, the aggregate land area of the land parcels held by our PRC subsidiaries and joint ventures that did not strictly comply with legal zoning or usage requirements was approximately 0.22 million sq.m. As of the Latest Practicable Date, we had obtained confirmations from the relevant PRC local government authorities that they will not impose penalties on our respective PRC subsidiaries and joint ventures for all the land parcels that did not strictly comply with legal zoning or usage requirements. As advised by our PRC Legal Advisor, the relevant PRC local government authorities that provided the aforesaid confirmations are competent government authorities in the PRC that are able to issue such confirmations. If the relevant government authorities were to impose penalties on us or require us to suspend ongoing use of the land until further notice or forfeit the relevant land being used, we may suffer financial loss, including our investments in the land, any land premiums paid and development costs incurred, our ability to bid for adjacent land could be lost, and the existing tenants on such properties may initiate complaints or claims against us if

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they have to relocate as a result of rectification orders or potential forfeiture of land parcels by the relevant government authorities. Because each parcel of land is unique, we may not be able to procure similar parcels of land. The occurrence of any of the foregoing could have an adverse effect on our business, financial condition, results of operations, performance and prospects.

We may fail to obtain, or experience material delays in obtaining, requisite government approvals, licenses and permits for our properties under construction.

To construct a logistics facility, our relevant PRC subsidiaries and joint ventures must obtain permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of land acquisition and construction, including land use rights certificates, construction land planning permits, construction works planning permits, construction works commencement permits and filing forms of completion inspection. In particular, before commencement of construction work for our logistics properties, we are required to obtain the project approval, construction works planning permit and construction works commencement permit, among other approvals, licenses and permits. Most of these licenses are subject to examination or verification by governmental authorities and are valid only for a fixed period of time, subject to renewal and accreditation. Obtaining such approvals may require substantial expense, and any non-compliance may expose us to liability. In the event of non-compliance, we may have to incur significant expense and divert substantial management time to rectify the incidents. During the Track Record Period, we have complied with all relevant PRC laws and regulations in all material respects in relation to obtaining requisite approvals, licenses and permits from the relevant regulatory authorities for our properties under construction in the PRC, except that, we were not able to obtain the land use right certificate, construction land planning permit, construction works planning permit and construction works commencement permit for the construction work carried out in Jiangsu Province with a land area of approximately 40,130 sq.m. (the “**Suzhou Project**”) before we commenced construction. As advised by our PRC Legal Advisor, in connection with this incident, the relevant project company (in which we hold 55% equity interest) may be subject to an estimated maximum penalty of approximately RMB1.3 million (approximately US\$0.2 million). Although our PRC Legal Adviser has interviewed officials from the Management Committee of Fenu High-tech Industrial Development Zone of Jiangsu Province (formerly Jiangsu Wujiang Fenu Economic Development Zone) (the “**Management Committee**”) in connection with this incident and obtained verbal confirmation from such officials that the Management Committee will not impose penalties on our relevant PRC subsidiary that commenced construction before obtaining the requisite certificate and permits, there can be no assurance that the relevant government authority will always, if ever, exercise its discretion in our favor. As advised by our PRC Legal Advisor, according to the Notice to establish the Management Committee of Jiangsu Wujiang Fenu Economic Development Zone promulgated by the Wujiang municipal government on October 16, 2006, the Management Committee is a competent authority for planning, construction and management of Jiangsu Wujiang Fenu Economic Development Zone under the lead of Wujiang municipal government and to give the aforesaid verbal confirmation. As of the Latest Practicable Date, we have obtained the land use right certificate, construction land planning permit, construction works planning permit and construction works commencement permit for the Suzhou Project.

In the future, if we were to fail to obtain, or experience material delays in obtaining, the requisite governmental approvals, licenses and permits for our properties under construction, we may be subject to fines, suspension of construction work or the suspension of operations of the logistics properties that do not have all the requisite licenses and permits, which could materially and adversely affect our investment in our PRC subsidiaries and joint ventures and the schedule of development and

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commencement of our leasing operations could be substantially disrupted, resulting in a material adverse effect on our business, financial condition, results of operations, performance and prospects. See “Regulatory Overview” in Appendix V to this Prospectus for further details on the requisite approvals, licenses and permits for our logistics property projects. We may also experience adverse publicity arising from non-compliance with government regulations, which would negatively impact our reputation.

In the future, we may not be able to obtain all the land use rights certificates and building ownership certificates for our logistics properties under construction.

Although our PRC subsidiaries had obtained the land use rights certificates, building ownership certificates and/or real property ownership certificates for all of our completed properties in operation pursuant to relevant PRC laws and regulations, we cannot assure you that we will be able to obtain: (i) the land use rights certificates or real property ownership certificates (with respect to the registration of land use rights) for our properties under construction; or (ii) the building ownership certificates or real property ownership certificates (with respect to the registration of land use rights as well as building ownership) for such properties after the completion of the construction work. If we are not able to obtain land use rights certificates or real property ownership certificates (with respect to the registration of land use rights) before the commencement of construction work and/or building ownership certificates or real property ownership certificates (with respect to the registration of land use rights as well as building ownership) after the completion of construction work for the relevant properties under construction: (i) the users of the relevant properties may claim against us for losses they suffer; (ii) we may be required to vacate the relevant properties which, to the extent that any of the relevant properties are leased to our tenants, may also affect our ability to continue to perform our obligations under the lease agreements; and/or (iii) we may be prohibited from transferring the land use rights or building ownership rights of such properties or set mortgages on such properties. In addition, if the failure to obtain such certificates is due to violation of any other law or regulation, the competent PRC government authority may impose liabilities on our relevant PRC subsidiaries and joint ventures pursuant to the applicable law or regulation. Any such consequences could have an adverse effect on our business, financial condition, results of operations, performance and prospects.

Land use right in the PRC is not perpetual, and the PRC Government may redesignate the usage of land that has been granted to us.

In the PRC, land use rights are granted by the government with a limited term. Under PRC laws, the maximum term of land use rights is 70 years for residential use, 50 years for industrial, warehousing or mixed use and 40 years for commercial use. A substantial portion of the land use rights for our directly held properties, including our completed properties, properties under construction and GFA on land held for future development, are for industrial or warehousing use and will expire between 2053 and 2069. It remains uncertain as to what will happen when such land use rights expire. To the extent we are required to make substantial payment to renew these land use rights, our financial condition may be materially and adversely affected. In addition, if we are unable to renew these land use rights, we may need to obtain alternative locations, which in turn may materially and adversely affect our business, financial condition, results of operations, performance and prospects.

In addition, we are subject to the Urban and Rural Planning Law of the PRC (Revised in 2015) (城鄉規劃法) promulgated by the Standing Committee of the NPC on April 24, 2015, pursuant to which relevant local governments may, from time to time, redesignate the usage of certain land for

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local planning and development purposes. When a government re-zones land that has been granted to us, we may be required to revise our original design and development plans that were approved before, or such parcel of land may be swapped for another parcel, thereby affecting the development timeline and costs of the entire project. There can be no assurance that relevant local governments will not change the zoning of certain land that we have already acquired, which could have a material adverse effect on our business, financial condition, results of operations, performance and prospects.

The establishment and operation of funds and investment vehicles in the PRC are subject to tightened legal restrictions and prolonged regulatory approval procedures, which may adversely affect our fund management business in the PRC.

In the PRC, pursuant to Law of Security and Investment Fund of the PRC (中華人民共和國證券投資基金法) promulgated by the Standing Committee of the NPC on October 28, 2003 and latest updated on April 24, 2015, a manager of a private fund shall undergo registration formalities with the Asset Management Association of China (the “AMAC”). Such manager of fund shall be the responsible entity for the filing of fund or investment vehicle with the AMAC. However, it typically takes a long time for a manager of a private fund to complete the registration and filing with the AMAC due to the highly regulated nature of the fund management industry. The AMAC has released series of regulations on the registration of a manager of a private fund and filing of the formation of a fund. Pursuant to the Notice on Registration of Manager of Private Investment Fund (私募基金管理人登記須知) promulgated by the AMAC in December 2017 and updated in December 2018, to apply for and complete the registration with the AMAC, the manager of a private fund shall meet certain requirements, including but not limited to: (i) it being duly incorporated and validly existing; (ii) it having in its registered business scope “fund management”, “investment management”, “asset management”, “equity interest investment”, “venture capital investment” or other description of similar nature; (iii) its principal business being professional and clear; (iv) it having established certain requisite systems, as relevant to its actual business, including, without limitation, risk management systems, disclosure systems, internal control systems, and sound accounting systems; and (v) it having obtained a certificate of security practice of senior management of a manager of private fund. Pursuant to the Measures on Registration of Manager of Private Investment Fund and Filing of Fund (Trial Implementation) (私募投資基金管理人登記和基金備案辦法(試行)) promulgated by the AMAC on January 17, 2014: (i) with respect to the registration of a manager of fund, the manager of fund shall submit required documents online through the electronic application system of the AMAC. The AMAC will review the submitted materials and request clarification if such materials are incomplete or failing to meet requirements. The AMAC is entitled to take the following actions to review such materials: interview the senior management of the manager of fund, on-site inspection, and consultation with the China Security Regulatory Commission and its agencies or relevant professional associations. If the materials submitted by the manager of the fund are full and complete, the AMAC will, within 20 working days after receipt of such full and complete materials, complete the registration formalities by publishing the information of the manager on its website; and (ii) with respect to the filing of a fund, within 20 working days after completion of fundraising, the manager of fund shall submit required documents online through the electronic application system of the AMAC, and the AMAC will review the materials submitted online and request clarification if such materials are incomplete or fail to meet requirements. If the materials submitted by the manager of the fund are complete and meet the requirements, the AMAC will, within 20 working days after receipt of full and complete materials, complete the filing formalities by publishing the of information of the private fund on its website. We are in the process of setting up our third PRC core fund. In light of the lengthy application procedures as described above, if we were to fail to obtain the approvals, licenses, permits

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or qualifications required for establishing the proposed PRC core fund from relevant regulators in the PRC due to any tightened legal restrictions or prolonged regulatory approval procedures or otherwise, our implementation of our core and core-plus strategy in the PRC may be delayed.

In addition, additional regulatory approvals, licenses, permits or qualifications for fund management business may be required by relevant regulators in the PRC in the future, and some of our current approvals, licenses, permits or qualifications are subject to periodic renewal. The failure to obtain or maintain our required approvals, licenses, permits or qualifications could adversely affect our business, financial condition and results of operations. Furthermore, the relevant regulatory requirements in the fund management industry are evolving and subject to change or different interpretations by relevant government authorities, all of which are out of our control. As a result, we cannot assure you that in the future we will be deemed compliant with applicable regulatory requirements relating to the fund management industry in the PRC at all times. Material incidents of non-compliance with fund management regulatory requirements in the PRC may subject us to sanctions, fines, penalties, disqualification for our existing fund management business in the PRC or non-renewal of our qualifications upon expiry, or other administrative penalties, regulatory actions and self-disciplinary actions by the PRC regulatory authorities, which may harm our reputation and materially adversely affect our business, financial condition, results of operations, performance and prospects.

We may fail to contribute to the registered capital of our PRC subsidiaries or experience material delays in contributing to the registered capital of our PRC subsidiaries.

Following the recent amendments to the Company Law of the PRC, which came into force on March 1, 2014, FIEs are no longer subject to any major statutory restrictions in terms of capital contribution, except for companies in certain industries which are subject to special requirements in respect of paid-in capital. For FIEs established before March 1, 2014, the shareholders are entitled to amend the constitutional documents (e.g., joint venture contracts and articles of association) if such constitutional documents set forth any time schedule in connection with capital contribution. In contrast, for FIEs in specially-regulated industries, the failure to contribute capital pursuant to legal requirements may still subject us to governmental penalties.

Some of our PRC subsidiaries were established before March 1, 2014. Such companies may amend their joint venture contracts and/or articles of association in respect of the schedule for capital contribution if needed, and file such amendment to the competent subordinates of MOFCOM.

Currently, there is no clear PRC law or regulation on governmental penalties in connection with failure of making capital contribution pursuant to joint venture contracts and/or articles of association for companies outside the specially-regulated industries, except that pursuant to Article 199 of the Company Law of the PRC (公司法), promulgated by the Standing Committee of the NPC and effective as of October 26, 2018, if a promoter or shareholder of a company fails to contribute money or non-monetary assets as registered capital or fails to contribute such on time, the relevant company registration authority has the power to request rectification. It is possible that new PRC laws or regulations may be promulgated in the future imposing more stringent requirements and liabilities, which could have a material adverse effect on our business, financial condition, results of operations, performance and prospects.

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The legal system in the PRC embodies uncertainties which could limit the legal protections available to us.

The legal system in the PRC is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have little precedential value. The legal system in the PRC evolves rapidly, and the interpretations of many laws, regulations and rules may contain inconsistencies. Our subsidiaries incorporated in the PRC are subject to laws and regulations applicable to foreign investment in the PRC in general, as well as specific laws and regulations applicable to FIEs. However, these laws, regulations and legal requirements are constantly changing and their interpretation and enforcement involve uncertainties. These uncertainties could limit the legal protections available to us. In addition, we cannot predict the effect of future developments in the mainland Chinese legal system, particularly with regard to logistics real estate industries, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. Such unpredictability towards our contractual, property (including intellectual property) and procedural rights could adversely affect our business in the PRC and impede our ability to continue our operations in the PRC. Furthermore, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention.

We may be classified as a “resident enterprise in mainland China” for mainland Chinese enterprise income tax purposes, which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment.

Under the EIT Law, which became effective on January 1, 2008, an enterprise established outside mainland China whose “de facto management body” is located in mainland China is considered a “resident enterprise in mainland China” and will generally be subject to the uniform 25% EIT rate, on its global income. Under the implementation rules of the EIT Law, “de facto management body” is defined as the organization body that effectively exercises management and control over such aspects as the business operations, personnel, accounting and properties of the enterprise.

On April 22, 2009, the SAT released the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as People’s Republic of China Tax Resident Enterprises on the Basis of De Facto Management Bodies (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) (“**SAT Circular 82**”) that sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of mainland China and controlled by mainland Chinese enterprises or mainland Chinese enterprise groups is located within mainland China. Further to SAT Circular 82, on July 27, 2011, the SAT issued the Administrative Measures for Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (境外註冊中資控股居民企業所得稅管理辦法(試行)) (“**SAT Bulletin 45**”), to provide more guidance on the implementation of SAT Circular 82; the bulletin became effective on September 1, 2011 and revised on April 27, 2015. SAT Bulletin 45 clarified certain issues in the areas of resident status determination, post-determination administration and competent tax authorities’ procedures.

Under SAT Circular 82, a foreign enterprise controlled by a mainland Chinese enterprise or mainland Chinese enterprise group is considered a mainland Chinese resident enterprise if all of the following apply: (i) the senior management and core management departments in charge of daily

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operations are located mainly within mainland China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in mainland China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within mainland China; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within mainland China.

Although SAT Circular 82 and SAT Bulletin 45 explicitly provide that the above standards apply to enterprises which are registered outside of mainland China and controlled by mainland Chinese enterprises or mainland Chinese enterprise groups, Circular 82 may reflect SAT's criteria for determining the tax residence of foreign enterprises in general. If mainland Chinese tax authorities determine that we were treated as a resident enterprise in mainland China for mainland Chinese enterprise income tax purposes, the 25% mainland Chinese enterprise income tax on our global taxable income could materially and adversely affect our ability to satisfy any cash requirements we may have.

Laws and regulations in mainland China establish more complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in mainland China.

A number of mainland Chinese laws and regulations, including the M&A Rules, the Antimonopoly Law (反壟斷法) promulgated by the Standing Committee of the NPC in August 2007, and the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (商務部實施外國投資者併購境內企業安全審查制度的規定) promulgated by MOFCOM in August 2011 (the Security Review Rules), have established procedures and requirements that are expected to make merger and acquisition activities in mainland China by foreign investors more time-consuming and complex. These include requirements in some instances that the approval from MOFCOM be obtained in circumstances where overseas companies established or controlled by enterprises or residents in mainland China acquire affiliated domestic companies. Mainland Chinese laws and regulations also require certain merger and acquisition transactions to be subject to merger control review or security review.

We have grown and may continue to grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises "national defense and security" or "national security" concerns. However, the MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in mainland China, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

The heightened scrutiny over acquisition transactions by tax authorities in mainland China may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.

Pursuant to the Notice of State Administration for Taxation on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-Resident Enterprises (國家稅務總局關於加強非居

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民企業股權轉讓所得企業所得稅管理的通知) (“**SAT Circular 698**”) issued by the SAT in December 2009 with retroactive effect from January 1, 2008, where a non-resident enterprise transfers the equity interests of a mainland Chinese resident enterprise indirectly by disposition of the equity interests of an overseas non-public holding company or, an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate of less than 12.5%; or (ii) does not impose income tax on foreign income of its residents, the non-resident enterprise, being the transferor, must report to the competent tax authority of the mainland Chinese resident enterprise this Indirect Transfer. Using a “substance over form” principle, the mainland Chinese tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring mainland Chinese tax.

On March 28, 2011, the SAT released the SAT Public Notice on Certain Issues of Administration of Enterprise Income Tax of Non-Resident Enterprises (2011) No. 24 (國家稅務總局關於非居民企業所得稅管理若干問題的公告) (“**SAT Public Notice 24**”), which became effective on April 1, 2011, to clarify several issues related to SAT Circular 698. According to SAT Public Notice 24, the term “effective tax” refers to the effective tax on the gain derived from disposition of the equity interests of an overseas holding company; and the term “does not impose income tax” refers to the cases where the gain derived from disposition of the equity interests of an overseas holding company is not subject to income tax in the jurisdiction where the overseas holding company is a resident.

On February 3, 2015, the SAT issued the Announcement of the SAT on Several Issues concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-Resident Enterprises (國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (“**SAT Circular 7**”), which abolished certain provisions in SAT Circular 698, as well as certain other rules providing clarification on SAT Circular 698. SAT Circular 7 provided comprehensive guidelines relating to, and also heightened the mainland Chinese tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of mainland Chinese taxable assets. Under SAT Circular 7, the tax authorities in mainland China are entitled to reclassify the nature of an indirect transfer of mainland Chinese taxable assets, when a non-resident enterprise transfers mainland Chinese taxable assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such mainland Chinese taxable assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of mainland Chinese enterprise income taxes and without any other reasonable commercial purpose. However, SAT Circular 7 contains certain exemptions, including: (i) where a non-resident enterprise derives income from the indirect transfer of mainland Chinese taxable assets by acquiring and selling shares of an overseas listed company which holds such mainland Chinese taxable assets on a public market; and (ii) where there is an indirect transfer of mainland Chinese taxable assets, but if the non-resident enterprise had directly held and disposed of such mainland Chinese taxable assets, the income from the transfer would have been exempted from enterprise income tax in mainland China under an applicable tax treaty or arrangement.

On October 17, 2017, the SAT issued the Circular on the Source of Deduction of Income Tax for Non-resident Enterprises (國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告) (“**SAT Circular 37**”), which became effective on December 1, 2017 and abolished SAT Circular 698 as well as certain provisions in SAT Circular 7. Pursuant to SAT Circular 37, where the party responsible to deduct such income tax did not or was unable to make such deduction, the non-resident enterprise receiving such income should declare and pay the taxes that should have been deducted to the relevant tax authority. The taxable gain is calculated as the income from such transfer net of the net book value of equity interest.

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We have conducted and may conduct acquisitions involving changes in corporate structures, and historically our shares were transferred by certain then shareholders to our current shareholders. We cannot assure you that the mainland Chinese tax authorities will not, at their discretion, adjust any capital gains or impose tax return filing obligations on us or require us to provide assistance for the investigation of mainland Chinese tax authorities with respect thereto. Any mainland Chinese tax imposed on a transfer of our Shares or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your investment in us.

We may be subject to LAT in connection with an equity transaction which in substance may be treated as an asset transaction.

In the PRC, we acquire land-use rights directly from the local governments. Our property transfer activities are subject to LAT with respect to the appreciated value of the land. LAT applies to both domestic and foreign investors in the sale of properties on which developments are completed in the PRC, and is levied at progressive rates ranging from 30% to 60% of the appreciation of land value after deducting allowed costs and expenses. In addition, our subsidiaries may be subject to LAT when selling properties that are still under construction and the rate of LAT so levied is calculated based on rates and formula local tax authorities implement. As a result, our results are susceptible to any significant increase in LAT expenses, which depends on the level of appreciation in land value as well as the amount of deductible costs and expenses, such as land premium and applicable property development costs. Furthermore, if we sell properties by way of equity transfer, the applicable tax authority may deem such equity transfer subject to LAT as the underlying assets of such equity are land use rights and property thereon. During the Track Record Period, we have not been required to make any payments for LAT. However, we cannot assure you that the relevant tax authorities will agree to the basis on which we have calculated our LAT for provision purposes, or that such provisions will be sufficient to cover all LAT obligations that tax authorities may ultimately impose on us, especially with regard to any equity transfer which involves land as the underlying asset and which in substance may be treated as an asset transaction. Our financial condition and results of operations may be materially adversely affected if our LAT as calculated by the relevant tax authorities are substantially higher than our provisions.

The PRC Government's pilot plan to replace the business tax with a value added tax ("VAT") may require us to pay more taxes, which could have a material adverse effect on our financial condition and results of operations.

Pursuant to the People's Republic of China Provisional Regulations on Business Tax (中華人民共和國營業稅暫行條例) promulgated by the State Council on December 13, 1993, taxpayers providing taxable services falling under the category of service industry in mainland China are required to pay business tax at a normal tax rate of 5% of their revenues. On November 16, 2011, the Ministry of Finance and the SAT promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (營業稅改徵增值稅試點方案). Pursuant to this plan and relevant notices, from January 1, 2012, a VAT was imposed to replace the business tax in the transport and shipping industry and some of the modern service industries in certain pilot regions. Under the pilot plan, a VAT rate of 6% applies to some modern service industries. On March 23, 2016, the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (關於全面推開營業稅改徵增值稅試點的通知) was issued, pursuant to which the pilot plan for the replacement of business tax with VAT was expanded to all regions and industries as of May 1, 2016. Our subsidiaries incorporated in the PRC that are granted

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VAT general taxpayer status may be subject to a VAT rate of 6% for sale of service, or a VAT rate of 10% for sale and/or leasing of real estate. This may have an adverse effect on our financial condition and results of operations.

The PRC regulations on loans and direct investment by offshore holding companies to mainland Chinese entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our subsidiaries incorporated in the PRC, which could materially and adversely affect their liquidity and our ability to fund and expand our business.

We may transfer funds to our subsidiaries incorporated in the PRC or finance them by means of shareholders' loans or capital contributions after completion of the Global Offering. Any loans to our subsidiaries incorporated in the PRC, which are FIEs, cannot exceed statutory limits, and shall be registered with the SAFE or its local counterparts.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) (“**Circular 19**”), which will replace Circular 142 from June 1, 2015. Circular 19, however, allows FIEs with investment as the main business in the PRC to use their registered capital settled in Renminbi converted from foreign currencies to make equity investments, but the registered capital of a foreign invested company settled in Renminbi converted from foreign currencies remains not allowed to be used for investment in the security markets, offering entrustment loans or purchases of any investment properties, unless otherwise regulated by other laws and regulations. Circular 19 may limit our ability to utilize the net proceeds from the Global Offering if we are to inject such net proceeds to our subsidiaries incorporated in the PRC which are FIEs to increase their registered capital.

We may be subject to penalties if our resident shareholders or beneficial owners in mainland China fail to comply with relevant mainland Chinese foreign exchange regulations.

The SAFE issued the Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (“**Circular 37**”), effective on July 4, 2014, which replaced the previous Notice on Relevant Issues Concerning Foreign Exchange Administration for the People's Republic of China Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (Circular 75). Circular 37 requires mainland Chinese residents, including mainland Chinese individuals and institutions, to register with the SAFE or its local branches in connection with their direct establishment or indirect control of an offshore special purpose vehicle, for the purpose of overseas investment and financing, with such mainland Chinese residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests. In addition, such residents in mainland China must update their foreign exchange registrations with the SAFE or its local branches when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such mainland Chinese individual shareholder, name and operation term), increases or decreases in investment amount, share transfers or exchanges, or mergers or divisions.

If any shareholder holding interest in an offshore special purpose vehicle, who is a mainland Chinese resident as determined by Circular 37, fails to make the required foreign exchange registration

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with a local SAFE branch, the mainland Chinese subsidiaries of that offshore special purpose vehicle may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the offshore special purpose vehicle may be restricted in its ability to contribute additional capital to its mainland Chinese subsidiaries. Moreover, failure to comply with the SAFE registration described above could result in liability under mainland Chinese laws for evasion of applicable foreign exchange restrictions.

We may not be fully informed of the identities of all our shareholders or beneficial owners who are mainland Chinese residents, and therefore, we may not be able to identify all our shareholders or beneficial owners who are mainland Chinese residents in order to ensure their compliance with Circular 37 or other related rules. In addition, we cannot provide any assurance that all of our shareholders and beneficial owners who are residents in mainland China will comply with our request to make, obtain or update any applicable registrations or comply with other requirements required by the Circular 37 or other related rules in a timely manner. Even if our shareholders and beneficial owners who are residents in mainland China comply with such request, we cannot provide any assurance that they will successfully obtain or update any registration required by Circular 37 or other related rules in a timely manner due to many factors, including those beyond our and their control. If any of our shareholders who are residents in mainland China as determined by Circular 37 fail to make the required foreign exchange registration with local SAFE branches, our mainland Chinese subsidiaries may be prohibited from distributing their profits and dividends to us or from carrying out other subsequent cross-border foreign exchange activities, and we may be restricted in our ability to contribute additional capital to our subsidiaries in mainland China, which may adversely affect our business.

Restrictions on the remittance of Renminbi into and out of the PRC and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.

The PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and the remittance of currency out of the PRC. We generate a considerable portion of our revenue in Renminbi, and may need to convert a portion of our cash and cash equivalents from Renminbi into other currencies in the future to meet our foreign currency obligations, such as payments of dividends declared in respect of our Shares. Shortages in the availability of foreign currency may restrict the ability of our subsidiaries incorporated in the PRC to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations.

Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC Government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system in the PRC prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, there is no assurance that new

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regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of the PRC.

Failure to fully comply with labor dispatch regulations in the PRC may expose us to potential penalties.

Pursuant to the Labor Contract Law and its amendments, dispatched labor is intended to be a supplementary form of employment and the primary form of employment by enterprises and organizations that hire employees should be direct employment. Further, it is stated in the Interim Provisions on Labor Dispatch (勞務派遣暫行規定) (the “**Interim Provisions**”) that became effective on March 1, 2014 that the number of dispatched workers an employer uses may not exceed 10% of its total labor force and the employer has a two-year transition period starting from March 1, 2014 to comply with such requirement. See section headed “Regulatory Overview—PRC Laws and Regulations—Labor Protection” in Appendix V to this Prospectus. During the Track Record Period, we relied on dispatched workers to perform certain property management services in the PRC. As of the Latest Practicable Date, we had a total of 11 dispatched workers in nine subsidiaries in the PRC. We have been trying to reduce the number of dispatched workers and to bring the percentages of dispatched workers in our PRC subsidiaries below the 10% limit. As advised by our PRC Legal Advisor, pursuant to relevant PRC laws and regulations, in aggregate, as of the Latest Practicable Date, we may be subject to a maximum penalty of approximately RMB0.11 million (approximately US\$0.02 million) for not fully complying with labor dispatch regulations. As of the Latest Practicable Date, we had not been ordered by relevant government authorities to make rectification with respect to the compliance with Interim Provisions. However, we cannot assure you that we can successfully reduce the percentages of dispatched workers of all of our PRC subsidiaries to below 10% and that PRC governmental authorities will not impose penalties on the relevant subsidiaries, which could have a material adverse effect on our financial condition and results of operations.

Risks Relating to Our Business in Japan

Our Japanese operations and real estate may be disrupted due to earthquakes, typhoons or other natural disasters.

Japan is susceptible to earthquakes and typhoons, and has experienced several large earthquakes that have caused extensive property damage. For example, Japan has historically experienced numerous large earthquakes that have resulted in extensive property damage, such as the Great East Japan Earthquake of March 2011, which resulted in a tsunami and leakage of radioactive material at the Fukushima nuclear power plants, and a series of earthquakes that occurred on or after April 14, 2016 centering on Kumamoto prefecture, which caused major manufacturers’ plants and facilities in the region to suspend production. More recently, Japan has experienced significant earthquakes in Osaka in June 2018 and in Hokkaido in September 2018 which caused extensive property damage in surrounding areas and electricity outage in the case of Hokkaido. Japan is also prone to typhoons, such as a typhoon that hit across Japan in September 2018 which caused Kansai International Airport to be out of operation for several days. The typhoon has also caused damages to our logistics properties in Osaka. Any events resulting from a similar earthquake, such as aftershocks, tsunamis, electric outages or radiation leakages, or floods or storm surges caused by typhoons could have a catastrophic effect on our facilities in Japan and our ability to operate such facilities, the businesses of our tenants in Japan, especially where those facilities are located on reclaimed lands that are vulnerable to earthquake, tidal surges or rising sea waters, or the Japanese

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economy in general and the global supply chain. In turn, this could have a material adverse effect on our business, financial condition, results of operations, performance and prospects. Furthermore, we might also be liable for losses claimed from our tenants that were incurred due to our damaged properties. These potential liabilities could also have a material adverse effect on our results of operations.

The Japanese real property registration system may not accurately reflect the ownership of the real property-related title or right.

Japan has a system of registering the ownership of real property (which includes land and buildings) as well as certain other real property-related rights, such as security rights over real property and easements, pursuant to which an unregistered owner of real property or an unregistered holder of certain other rights cannot assert its title or such rights against a third-party in principle. However, the real property register does not necessarily reflect the true owner of the real property-related title or right. In practice, parties who plan to enter into a real property transaction usually rely upon the register, as it is generally the best indication of the true owner of the real property-related title or right. However, a party has no recourse to anyone but the seller if, relying on the register, it purchases the property or a related right from a seller and the information contained in the register turns out to be incorrect. The purchaser may claim for damages against the seller pursuant to statutory warranties or contractual warranties, but, in general, cannot acquire the ownership of, or title to, the real property from the real owner. Imperfect title to one or more of our facilities in Japan could have a material adverse effect on our business, financial condition, results of operations, performance and prospects.

We may be exposed to risks associated with dividend deduction requirements for TMKs in Japan.

In Japan, we invest in logistics properties in Japan through TMKs (*Tokutei Mokuteki Kaisya*). For a TMK to avail itself of the dividend distribution deduction tax treatment, the TMK must meet certain initial requirements when it is established and must continue to meet certain annual requirements in accordance with the Special Taxation Measures Law of Japan. One of these annual requirements is that a TMK should distribute more than 90% of its distributable profits for each fiscal year (the “**TMK Distribution Requirement**”). The TMK Distribution Requirement is based on the amount of audited pre-tax profits of the TMK in Japan. While we will work closely with the professional advisers to the TMKs we invest in to minimize any tax costs due to the differences between tax and accounting treatments, there can be no assurance that such tax costs can be entirely eliminated. Accordingly, the TMKs we invest in may bear excessive tax costs, in which case the TMKs we invest in may not have sufficient cash to distribute dividends and hence may fail to satisfy the TMK Distribution Requirement. In the event that the TMKs we invest in are unable to meet the TMK Distribution Requirement, we will not be able to deduct the dividend distributions of the TMKs we invest in from our taxable income of the TMKs we invest in as deductible expenses. Instead, the TMK would have to make dividend distributions after its taxable income has been subject to Japanese corporate income tax at the regular rate. This will reduce the amount of distributions to us, and could have a material adverse effect on our business, financial condition, results of operations, performance and prospects.

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Some of the Portfolio Assets are currently held or may be held in the form of a property or trust beneficiary co-ownership interest, and rights relating to such properties may be affected by the intentions of other owners.

We, or the funds and investment vehicles we manage, own or may acquire interests in some properties in the form of a property co-ownership interest (*kyōyū-mochibun*) with third parties in the future in Japan. Management of co-owned properties is conducted by a majority of the co-owners, weighted according to ownership proportion, unless otherwise agreed among the co-owners. Thus, if we, or the funds and investment vehicles we manage, do not own a majority interest in a property, our policies concerning management and operation of the property may not be executed. Furthermore, since co-owners can in some instances use the entire co-owned property, depending on the proportion of the ownership, our ownership or use of the property may be prevented if a co-owner possesses and exercises such right. Under Japanese law, a co-owner of a property has the right to sell its interest in the property without the consent of other co-owners, unless there is an agreement between the co-owners that requires such consent or grants a right of first refusal. In general, a co-owner has the right to demand that such property be partitioned. Although special provisions may be included to contractually prohibit the exercise of such right of partition, such provisions are only valid for a period of five years. If a co-owner of one of the Portfolio Assets becomes subject to bankruptcy proceedings, corporate reorganization or civil rehabilitation proceedings, the trustees in the proceedings of such co-owner may have the right to demand that such property be partitioned. Although the other co-owners of the property may, if so agreed, have a right of first refusal to purchase the ownership interests of the defaulting or selling co-owner, we or the funds and investment vehicles we manage may not be able to exercise such rights on favorable terms. In addition, a sale of the property co-ownership interest held by us or the funds and investment vehicles we manage under such circumstances may result in liquidation proceeds that are less than the fair value of such property or interests being sold, which may have an adverse effect on our business, financial condition, results of operations, performance and prospects.

A co-owner of a property may mortgage its interest in the property. However, such mortgage becomes applicable to the entire property when the co-owned property is partitioned. Accordingly, each of the co-owners in such case would be subject to such mortgage in proportion to its ownership interest. There is a risk that the interest held by us or the funds and investment vehicles we manage in a property that was formerly owned through a property co-ownership interest and owned by us or the funds and investment vehicles we manage independently following a partition may be subject to a mortgage that was placed on it by another co-owner. We, or the funds and investment vehicles we manage, may also bear the credit risk of a co-owner in case, for example, there is a contractual arrangement under which the rent is paid from a lessee to the co-owner, which in return pays a portion of such rent to us, or the funds and investment vehicles we manage.

In addition, when the properties in Japan are owned or acquired as trust beneficiary interests in properties in the form of co-ownership (*jun-kyōyū-mochibun*) with other trust beneficiaries, restrictions similar to those associated with property co-ownership interests are applicable. For example, a holder of a trust beneficiary co-ownership interest may choose to dispose of such interest to a third party if it receives consent from the trustee, thus allowing for the possibility of having a co-owner that we would prefer not to have. In addition, unless there is an agreement among the holders of the trust beneficiary co-ownership interests, there is a possibility that an owner may not be able to have its opinions reflected in the instructions provided to the trustee pursuant to the trust agreement or that a holder of trust beneficiary co-ownership interests may be liable for the full amount of liabilities to the trustee

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unpaid by other holders. Any such risks may have a material adverse effect on our business, financial condition, results of operations, performance and prospects.

The ownership rights in some of the Portfolio Assets may be declared invalid or limited.

The Portfolio Assets in Japan are either directly held by a TMK structure under which the title to the property is registered in the name of TMKs, or held in a trust structure under which the title to the property is or will be registered in the name of the trustee. However, such registration of title does not guarantee absolute ownership under Japanese law. For example, if the former owner of a Portfolio Asset subsequently becomes subject to bankruptcy, corporate reorganization or civil rehabilitation proceedings, we or the funds and investment vehicles we manage could face a claim for avoidance or fraudulent conveyance. If, for example, we or the funds and investment vehicles we manage acquired a Portfolio Asset while the seller or former owner was insolvent, or if as a result of the sale of a Portfolio Asset to us or the funds and investment vehicles we manage, the seller becomes insolvent, we or the funds and investment vehicles we manage may be required to return that Portfolio Asset or beneficiary interest in that Portfolio Asset to the seller or former owner without full refund of the purchase price, or we or the funds and investment vehicles we manage may have to pay a significant amount of money to settle such claims. Further, if the former owner of a Portfolio Asset was or becomes unable to pay its debt at the time of the acquisition of that Portfolio Asset by us or the funds and investment vehicles we manage, the acquisition may be voided by the creditors of the former owner. We or the funds and investment vehicles we manage may also lose the beneficiary interest in a trust property if the seller or a former owner is found to have originally entrusted the property with a trustee to avoid having the property foreclosed by creditors. Although we or the funds and investment vehicles we manage do not believe that any of the Portfolio Assets are currently subject to significant risks of this type, these risks cannot be completely eliminated. As a result, future changes in the conditions of any owners or former owners of the Portfolio Assets could jeopardize the ownership interests held by us or the funds and investment vehicles we manage in the Portfolio Assets.

As title insurance is not customary in Japan, our ability to obtain protection from property ownership risks is limited. Moreover, because the rights and obligations attached to some of the Portfolio Assets are complicated, in part because of the manner in which we or the funds and investment vehicles we manage acquire and hold these properties, our ownership rights or the ownership rights of the funds and investment vehicles we manage in these properties may be declared invalid, or the rights held by third parties may limit our rights or the rights of the funds and investment vehicles we manage in these properties. For example, for tax reasons, when we purchase a property we may seek to delay the date on which we apply for transfer of property rights to be transferred to us on the public real estate register. Although we will seek to take steps such as pre-registering the property rights in order to ensure priority in the real estate register, during this period of delay we may not be able to assert our ownership in the event that the seller becomes insolvent. Any of these circumstances could have a material adverse effect on our business, financial condition, results of operations, performance and prospects.

We or the funds and investment vehicles we manage may lose the rights in a Portfolio Asset or a property we or the funds and investment vehicles we manage intend to acquire if the purchase of the property is recharacterized as a secured financing.

Depending on the underlying facts and circumstances surrounding the purchase of a property, if a purchase cannot be construed as a “true sale” under Japanese law, it may be recharacterized as a

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secured financing. In such case, the relevant property would be deemed to be an asset of the seller, and we or the funds and investment vehicles we manage would lose the ownership interest in the property. We or the funds and investment vehicles we manage would instead hold only a security interest in the property. Recharacterization could occur when the seller becomes insolvent by way of bankruptcy, corporate reorganization or civil rehabilitation proceedings. Under Japanese law, whether a purchase may be recharacterized as a secured financing is determined through a consideration of various factors, including, without limitation, the intention of the seller and purchaser, whether the seller recorded the purchased property on its balance sheet, whether the seller transferred the economic risk to the purchaser, and whether the seller and purchaser contracted a buy-back arrangement permitting the seller to reacquire the property. Although we have no reason to believe that the acquisition of any of the Portfolio Assets would be recharacterized as a secured financing, there is no guarantee that any such acquisition will not be recharacterized as a secured financing following a legal or regulatory proceeding.

Risks Relating to Our Business in South Korea

Escalations in tensions between South Korea and North Korea could have an adverse effect on us and the market value of the Shares.

Relations between South Korea and North Korea have been tense throughout South Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In particular, there continues to be uncertainty regarding the long-term stability of North Korea's political leadership since the succession of Kim Jong-un to power following the death of his father in December 2011, which has raised concerns with respect to the political and economic future of the region. In recent years, there have been heightened security concerns stemming from North Korea's nuclear weapons and long-range missile programs and increased uncertainty regarding North Korea's actions and possible responses from the international community. North Korea's economy also faces severe challenges, including severe inflation and food shortages, which may further aggravate social and political tensions within North Korea.

In addition, reunification of South Korea and North Korea could occur in the future, which would entail significant economic commitment and expenditure by South Korea that may outweigh any resulting economic benefits of reunification. On April 27, 2018 and May 26, 2018, Moon Jae-in, President of the South Korea and North Korea's Kim Jong-un attended summits held in the Demilitarized Zone of the Korean peninsula. On June 12, 2018, the president of the United States Donald J. Trump and Kim Jong-un held a meeting in Singapore. The two leaders signed the "Joint Statement of President Donald J. Trump of the United States of America and Chairman Kim Jong Un of the Democratic People's Republic of Korea" at the Singapore Summit, which contains statements that they will work together towards building a peace regime on, and denuclearization of, the Korean Peninsula. Furthermore, the two leaders of South and North Korea held the Inter-Korean Summit Meeting in Pyeongyang from September 18 to 20, 2018, and adopted the Pyeongyang Joint Declaration of September 2018, which contains the principle of independence and self-determination of the Korean nation, and agreed to consistently and continuously develop inter-Korean relations for national reconciliation and cooperation, firm peace and co-prosperity, and to make efforts to realize through policy measures the aspiration and hope of all Koreans that the current developments in inter-Korean relations will lead to reunification. In addition, the two leaders of United States of America and North Korea held summit meetings from February 26, 2019 to February 28, 2019 and on June 30, 2019. There can be no assurance that the level of tensions on the Korean peninsula will not escalate in the

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future. Any further increase in tensions, which may occur, for example, if North Korea experiences a leadership crisis, high-level contacts between South Korea and North Korea break down or military hostilities occur, could have a material adverse effect on our operations.

While real property registration in South Korea creates a strong presumptive evidence of valid ownership, it may not be conclusive in exceptional circumstances.

The South Korean title registration for real estate (i.e., the land and the buildings on it) will be effective upon registration in the relevant registry of real estate managed by the court office which has jurisdiction over such real estate. Therefore, the registration as an owner on the relevant real estate registry will provide a strong presumption for the valid title of the owner.

The existence of a registration legally presumes that there exists a corresponding substantive right as well as a corresponding relationship between the former owner and the current owner as recorded within the registry. The current owner may defend his/her ownership, which is presumptively valid against the former owner as well as any third party who challenges his or her registered ownership. The party who challenges title holds the burden of proof, i.e., the challenging party must prove non-existence of rights or grounds of nullity of such registration of previous transactions, while the current owner only needs to prove the existence of its registration. The courts have in some cases reversed the presumption, such as: (i) registration with the name of the dead or non-existing person; (ii) when it is proved that the registered person is not the same as the actual purchaser of the real estate; or (iii) when it is obvious that there is an impediment in the registration procedure. In addition to this strong presumption, the South Korean Civil Code provides for a certain prescription period whereby a purchaser may be protected if certain requirements are duly satisfied. Under the South Korean Civil Code, if a person who has been registered as an owner of the property has occupied the property peacefully, publicly, in good faith and without any fault for ten years with an intention to own such property, he/she will acquire the title to such property.

The level of risk associated with the ownership of real estate can thus be assessed to a certain extent based on the review of the current entry of the registry and the chain of preceding acquisitions. Sellers of all the South Korean properties (other than cases where the seller was designated as a developer of a logistics complex development project pursuant to the relevant law, in which case such designee has legal authority to acquire title to the land through expropriation with respect to the parcels that cannot be obtained through mutual agreements with former owner of the parcel) must match with the entry of the registry at the time of signing and closing of the relevant transactions. Although we are not currently aware of any challenges that have been brought against the title to the Portfolio Assets in South Korea, we cannot assure you that the title to the Portfolio Assets in South Korea will not be challenged in the future or any challenging parties will not succeed in proving the non-existence of rights or grounds of nullity of such registration of previous transactions with respect to these properties. If any of the foregoing were to occur, our business, financial condition, results of operations, performance and prospects may be adversely affected.

Risks Relating to Our Business in Singapore

ESR-REIT's borrowing limit may be exceeded if there is a downward revaluation of properties, which may have an adverse effect on our business, financial condition and results of operations.

ESR-REIT is subject to the aggregate leverage limit of 45% as defined in the Property Funds Appendix of Singapore. As of June 30, 2019, ESR-REIT's aggregate leverage is approximately 39.0%.

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ESR-REIT may, from time to time, require further debt financing to achieve its investment strategy. A substantial decline in the value of its portfolio may affect ESR-REIT's ability to make further borrowings due to the aggregate leverage limit under the Property Funds Appendix of Singapore. If ESR-REIT were to be leveraged close to the leverage limit, it may not be able to:

- fund future acquisitions of properties or its capital expenditure requirements, including any refurbishments, renovation and improvements, asset enhancement initiatives and other development works, on its properties;
- fund working capital requirements which may further constrain its operational flexibility; or
- experience cash flow shortage which may have an adverse impact on its ability to satisfy its debt obligations.

If any of the foregoing were to occur, the business, financial condition and results of operations of ESR-REIT could be materially and adversely affected, which may result in a reduction in the management fee income of the ESR-REIT Manager. As a result, our business, financial condition and results of operations may be adversely affected.

We are not involved in the day-to-day operations of the ESR-REIT Manager or the Sabana Manager, and we cannot assure you that the ESR-REIT Manager or the Sabana Manager will successfully implement its investment and development strategy.

The ESR-REIT Manager and the Sabana Manager, the respective managers of ESR-REIT and Sabana REIT, employ strategies that include expanding the industrial property portfolios of the respective REITs in Singapore and expanding the portfolios to include industrial properties in overseas markets. Although we are a controlling shareholder of the ESR-REIT Manager and the Sabana Manager, we are not involved in, and do not control, the day-to-day business operations of either the ESR-REIT Manager or the Sabana Manager. We cannot assure you that the ESR-REIT Manager or the Sabana Manager will be able to expand the portfolios of the respective REITs they manage, or at any specified rate or to any specified size. The ESR-REIT Manager or the Sabana Manager may not be able to make investments or acquisitions on behalf of the respective REITs they manage on favorable terms in a desired time frame.

In addition, the ESR-REIT Manager or the Sabana Manager may from time to time initiate asset enhancement and/or development works on some of the properties held by the respective REITs they manage at the request of existing or pre-committed tenants or to attract new tenants. We cannot assure you that such plans for asset enhancement and/or development works will materialize, or in the event that they do materialize and are completed, that they will be able to achieve their desired results. The proposed asset enhancement initiatives are also subject to the respective REITs obtaining the approvals of the relevant authorities.

Furthermore, the ESR-REIT Manager or the Sabana Manager may not be able to carry out the proposed asset enhancement initiatives within a desired timeframe, and any benefit or return which may arise from such asset enhancement initiatives may be reduced or lost. Despite the significant costs that may have been incurred by ESR-REIT or Sabana REIT, as applicable, in the course of such asset enhancement and/or development works, such properties may still be unable to attract new tenants or retain existing tenants and pre-committed tenants may default on their pre-commitment obligations. This may adversely affect the financial condition of ESR-REIT or Sabana REIT, as applicable, and the reputation of the ESR-REIT Manager or the Sabana Manager and our Company.

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Risks Relating to Our Business in Australia

If more stringent laws are introduced regarding the acquisition of real estate in Australia by foreign entities, our ability to acquire additional real estate may be adversely affected.

Under Australia's current foreign investment framework, the Australian government requires certain proposed investments in real estate to be notified to and approved by a Foreign Investment Review Board. The notification requirements vary depending on a number of factors including the nature and value of the property. Under this framework, we and our Australian subsidiaries are classified as "foreign government investors" and are required to obtain approval for each acquisition we propose to make of Australian land (including through a company or trust) regardless of the value of the investment. To date, we have obtained the necessary approvals for all investments and activities in Australia. However, there is a risk that approvals may not be successfully obtained or may only be obtained subject to conditions not acceptable to us in the future. Further, if changes are introduced by the Australian government which amend the existing foreign investment framework, our ability to acquire and the cost of acquiring additional real estate in Australia may be adversely affected, which may have a material adverse effect on our business, financial condition, results of operations, performance and prospects.

Foreign purchasers of land in Australia are, depending on the jurisdiction in which the land is located, required to pay an additional surcharge on top of the standard land transfer duty payable by Australian purchasers.

Subject to the relevant requirements of the state or territory in which a land is located, foreign purchasers of the land in Australia are required to pay an additional surcharge on top of the standard land transfer duty payable by Australian purchasers. The surcharge rate differs across the Australian states and territories and is regularly subject to legislative review. This surcharge is applicable on a similar basis to foreign purchasers of local companies where duty is payable under the landholder provisions. To the extent the surcharge rates increase or the categories of land which are subject to the surcharge change, this will have an impact on the amount of capital required to acquire land in Australia, which may have a material adverse effect on our business, financial condition, results of operations, performance and prospects.

The application of retail leasing legislation in Australia may restrict our ability to enforce our standard lease covenants against tenants.

There is legislation specific to retail leases in each of the Australian states and territories. The legislation differs slightly between each of the Australian jurisdictions but has the general effect of providing tenants under retail leases with additional protections which they would not otherwise have if the lease was not a retail lease and which cannot be contracted out of. What constitutes a "retail lease" differs across the Australian jurisdictions and has been the subject of recent judicial consideration in connection with industrial/warehouse property. The application of retail leasing legislation may restrict our ability to enforce our standard lease covenants against tenants, which may have a material adverse effect on our business, financial condition, results of operations, performance and prospects.

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Tightening lending restrictions by major Australian banks may reduce our access to funds required for further acquisitions.

The major Australian banks have recently tightened their lending requirements and this is expected to continue in the near future following the recent measures introduced by banks in response to the findings of the Banking Royal Commission of Australia in relation to misconduct in the banking, superannuation and financial services industry. An inability to access debt on favorable terms will impact our ability to both refinance existing properties and acquire new properties in Australia, which may have a material adverse effect on our business, financial condition, results of operations, performance and prospects.

Risks Relating to Our Business in India

Political instability or a change in economic liberalization and deregulation policies could seriously harm business and economic conditions in India, generally, and our expansion into India, in particular.

Our expansion into the India market could be significantly influenced by economic policies adopted by the government of India. The government of India has in recent years sought to implement economic reforms and the current government of India has implemented policies and undertaken initiatives that continue the economic liberalization policies pursued by previous governments. There can be no assurance that liberalization policies will continue in the future. The rate of economic liberalization could change, and specific laws and policies affecting foreign investment, currency exchange rates and other matters affecting investment in India could change as well.

The government of India has traditionally exercised, and continues to exercise, influence over many aspects of the economy. A change in the government of India's economic liberalization and deregulation policies could disrupt business and economic conditions in India generally, and specifically our expansion into the India market. This could have a material adverse effect on our business, strategy and prospects.

Changing laws, rules and regulations and legal uncertainties in India, including adverse application of corporate and tax laws, may adversely affect our business and financial performance.

The regulatory and policy environment in India is evolving and subject to change. Such changes in applicable law and policy in India, including the instances described below, may adversely affect our business, financial condition, results of operations, performance and prospects in India, to the extent that we are not able to suitably respond to and comply with such changes.

For instance, the government of India implemented a comprehensive national GST regime that combines taxes and levies by the central and state governments into a unified rate structure from July 1, 2017, which we believe will result in fundamental changes to India's third-party logistics industry. However, given its recent introduction, there is no established practice regarding the implementation of, and compliance with, GST. The implementation of the new GST regime has increased the operational and compliance burden for Indian companies and has also led to various uncertainties. Any future increases and amendments to the GST regime may further affect the overall tax efficiency of companies operating in India and may result in significant additional taxes becoming payable. Our business and financial performance could be adversely affected by any unexpected or

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onerous requirements or regulations resulting from the introduction of GST or any changes in laws or interpretation of existing laws, or the promulgation of new laws, rules and regulations relating to GST, as it is implemented. Further, as GST is implemented, there can be no assurance that we will not be required to comply with additional procedures and/or obtain additional approvals and licenses from the government and other regulatory bodies or that they will not impose onerous requirements and conditions on our operations. Any such changes and the related uncertainties with respect to the implementation of GST may have a material adverse effect on our business, financial condition and results of operations.

Further, the Finance Act 2018 instituted a number of amendments to the existing direct and indirect tax regime which includes the withdrawal of long term capital gains exemptions on equity shares, long term capital gains applicability in the hands of foreign institutional investors and applicability of dividend distribution tax for certain transactions with shareholders, among others.

In addition, in November 2016, the government of India demonetized certain high-value denominations of currency. Trading and retail businesses in India were impacted for a limited period of time on account of such demonetization. Such businesses have subsequently needed to introduce additional point of sale instruments to improve their collection process. Furthermore, the General Anti Avoidance Rules came into effect on April 1, 2017. The effect of the application of these provisions to our business in India is at present uncertain.

Hostilities, terrorist attacks, civil unrest and other acts of violence could adversely affect our business in India.

Terrorist attacks and other acts of violence or war may adversely affect the Indian property market. In addition, any deterioration in international relations, especially between India and its neighboring countries, may result in investor concern regarding regional stability. In addition, India has witnessed local civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic or political events in India could have an adverse effect on our business. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse effect on our business, results of operations and financial condition.

A certain portion of the land on which our construction projects are or will be located in India may require certain approvals and permits in order for us to use such land for developing our projects. In the event we are unable to obtain such approvals and permits, our business, results of operations, cash flows and financial condition could be adversely affected.

Some of our construction projects in India are located, or will be located, on agricultural land, or land owned by private parties. The land title transfer process is dependent on the type of land on which the projects are, or will be, located, and the policies of the relevant state governments in the places in which such land is located. In the case of land acquired from private parties which is agricultural land, the transfer of such land from agriculturalists to non-agriculturalists such as us and the use of such land for nonagricultural purposes may require an order from the relevant state land or revenue authority allowing such transfer and use. There can be no assurance that the relevant approvals will be received, or that lease deeds will be executed in a timely manner, such that the operation of our construction projects will be unaffected. In the event we are unable to obtain such approvals and permits, our business, results of operations, cash flows and financial condition could be adversely affected.

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We may not be able to identify or correct defects or irregularities in title to the properties which we own, lease or intend to acquire in connection with the development of our construction projects as land title in India can be uncertain.

There is no central title registry for real property in India and the documentation of land records in India has not been fully digitized. Property records in India are generally maintained at the state and district level and in local languages, and are updated manually through physical records. Therefore, in certain cases property records may not be available online for inspection, may be illegible, untraceable, and incomplete, may not have been updated, may be inaccurate in certain respects, or may have been kept in poor condition, which may impede title investigations or our ability to rely on such property records. Title to land in India is often fragmented, and in many cases, land may have multiple owners. Title may also suffer from irregularities, such as non-execution or non-registration of conveyance deeds and inadequate stamping, and may be subjected to encumbrances that we are unaware of and that may not be apparent on the face of the relevant documentation. Any defects in, or irregularities of, title may result in a loss of development or operating rights over the land, which may prejudice the success of our construction projects and require us to write off substantial expenditure in respect of our construction projects in India. Improperly executed, unregistered or insufficiently stamped conveyance instruments in a property's chain of title, unregistered encumbrances in favor of third parties, rights of adverse possessors, ownership claims of family members of prior owners or third parties, or other defects that a purchaser may not be aware of can affect title to a property. As a result, potential disputes or claims over title to the land on which our projects are located or will be constructed may arise. However, an adverse decision from a court or the absence of an agreement with such third parties may result in additional costs and delays in the construction and operating phases of our projects situated on such land. Also, such disputes, whether resolved in our favor or not, may divert management's attention, harm our reputation or otherwise disrupt our business. Our rights to the properties used for our construction projects may be challenged by property owners and other third parties for various other reasons as well. Any such challenge, if successful, could impair the development or operations of our projects on such properties. All of this may adversely affect our business, results of operations and cash flows in the future.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and the liquidity and market price of our Shares may be volatile.

Prior to completion of the Global Offering, there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the Global Offering. The Offer Price is the result of negotiations between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following completion of the Global Offering. The market price of our Shares may drop below the Offer Price at any time after completion of the Global Offering.

The trading price of our Shares may be volatile, which could result in substantial losses to you.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general economic, political and stock market conditions of the securities markets in Hong Kong, the PRC, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations

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located mainly in the PRC that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. A number of PRC-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

Possible setting of the Offer Price after making a Downward Offer Price Adjustment.

We have the flexibility to make a Downward Offer Price Adjustment to set the final Offer Price at up to 10% below the bottom end of the indicative Offer Price range per Offer Share. It is therefore possible that the final Offer Price will be set at HK\$14.58 per Offer Share upon the making of a full Downward Offer Price Adjustment. In such a situation, the Global Offering will proceed and the Withdrawal Mechanism will not apply. If the final Offer Price is set at HK\$14.58 per Offer Share, the net proceeds we will receive from the Global Offering will be reduced to HK\$3,809.4 million (approximately US\$485.6 million) and such reduced proceeds will be used as described in “Future Plans and Use of Proceeds—Use of Proceeds”.

You will incur immediate and substantial dilution and may experience further dilution in the future.

As the Offer Price of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the Global Offering may experience further dilution in their shareholding percentage. See the paragraph headed “—The costs of the Post-IPO Share Option Scheme may adversely affect our results of operations and any exercise of the options granted thereunder may result in a dilution of our shareholders’ shareholdings and the exercise of options granted under the KM ESOP may adversely affect our results of operations” in this section.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers or our shareholders, could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and our shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

You may be subject to mainland Chinese income tax on dividends from us or on any gain realized on the transfer of our Shares.

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between mainland China and your jurisdiction of residence that provides for a different

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income tax arrangement, mainland Chinese withholding tax at the rate of 10% is normally applicable to dividends from mainland Chinese sources payable to investors that are resident enterprises outside of mainland China, which do not have an establishment or place of business in mainland China, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% (or a lower rate) mainland Chinese income tax if such gain is regarded as income derived from sources within mainland China unless a treaty or similar arrangement otherwise provides. Under the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within mainland China paid to foreign individual investors who are not residents in mainland China are generally subject to a mainland Chinese withholding tax at a rate of 20% and gains from mainland Chinese sources realized by such investors on the transfer of shares are generally subject to 20% mainland Chinese income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and mainland Chinese laws.

Although a significant amount of our business operations are in mainland China, it is unclear whether dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, would be treated as income derived from sources within mainland China and as a result be subject to mainland Chinese income tax if we are considered a mainland Chinese resident enterprise. If mainland Chinese income tax is imposed on gains realized through the transfer of our Shares or on dividends paid to our non-resident investors, the value of your investment in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with mainland China may not qualify for benefits under such tax treaties or arrangements.

Certain data and information in this Prospectus were obtained from third-party sources and were not independently verified by us.

This Prospectus, in particular the JLL Report included in Appendix IV to this Prospectus, contains certain data and information that have been derived from third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. Statistical data in these sources of information also include projections based on a number of assumptions. The countries where we operate property markets may not grow at the rate projected by such statistical data, or at all. The failure of our industry to grow at the projected rate may have a material adverse effect on our business. In addition, the complex and changing nature of the broad macroeconomic factors discussed in this Prospectus may result in significant uncertainties for any projections or estimates relating to the growth prospects or future condition of our market. Furthermore, if any one or more of the assumptions underlying the market data is later found to be incorrect, actual results may differ from the projections based on these assumptions.

We have not independently verified the data and information contained in such third-party publications and reports. Data and information contained in such third-party publications and reports may be collected using third-party methodologies, which may differ from the data collection methods used by us. In addition, these industry publications and reports generally indicate that the information contained therein was believed to be reliable, but do not guarantee the accuracy and completeness of such information. You should therefore not place undue reliance on such information.

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You should read this entire Prospectus carefully and should not rely on any information contained in press articles, forecasts, reports or other media regarding us and the Global Offering.

We strongly caution you not to rely on any information contained in press articles, forecasts, reports or other media regarding us and the Global Offering. There has been, prior to the publication of this Prospectus, and there may be, subsequent to the date of this Prospectus but prior to the completion of the Global Offering, research reports, press and media coverage regarding us and the Global Offering, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the research reports, press or media and do not accept responsibility for the accuracy or completeness of such research reports, press articles or other media coverage. We make no representations as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this Prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this Prospectus only and should not rely on any other information.

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In preparation for the Listing, our Company has applied for the following waivers and consent from strict compliance with the relevant provisions of the Listing Rules and exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that, except as otherwise permitted by the Stock Exchange at its discretion, our Company has a sufficient management presence in Hong Kong. This normally means that at least two of our Company's executive Directors must be ordinarily resident in Hong Kong. Since most of our Company's core business operations are based, managed and conducted outside of Hong Kong, our Company does not have, and in the foreseeable future will not have, a sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, our Company has applied to the Stock Exchange for, and has been granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules on the condition that the following arrangements be made to maintain regular and effective communication between the Stock Exchange and our Company:

- (a) Our Company has appointed Mr. Jinchu Shen (沈晉初) and Mr. Richard Kin-sing Lee (李建成) as its authorized representatives (the “**Authorized Representatives**”), who will act as our Company's principal channel of communication between our Company and the Stock Exchange. Each of the Authorized Representatives has the means to contact all members of the Board (including the executive Directors, non-executive Directors and the independent non-executive Directors) and the senior management of our Company promptly at all times as and when the Stock Exchange wishes to contact them for any matter. Our Company will also inform the Stock Exchange promptly in respect of any change in the Authorized Representatives.
- (b) To enhance the communication between the Stock Exchange, the Authorized Representatives and the Directors, our Company has implemented a policy that each Director has to provide his or her respective office phone numbers, mobile phone numbers, fax numbers and email addresses (if applicable) to the Authorized Representatives and the Stock Exchange and in the event that any Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his or her accommodation to the Authorized Representatives.
- (c) Both Authorized Representatives have to provide their office phone numbers, mobile phone numbers, fax numbers and email addresses (if applicable) to the Stock Exchange.
- (d) In addition, each Director who is not an ordinarily resident in Hong Kong has confirmed that he or she possesses or can apply for valid travel documents to visit Hong Kong for business purpose and would be able to come to Hong Kong and meet with the relevant members of the Stock Exchange upon reasonable notice.
- (e) In accordance with Rule 3A.19 of the Listing Rules, our Company has appointed Octal Capital Limited as its compliance adviser (the “**Compliance Adviser**”) for the period commencing on the date of Listing and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first

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full financial year commencing after the date of Listing. The Compliance Adviser will act as the Company's additional channel of communication with the Stock Exchange and the Compliance Adviser shall have access at all times to the Authorized Representatives, the Directors and other officers of our Company to ensure that he or she is in a position to provide prompt responses to any queries or requests from the Stock Exchange in respect of our Company.

- (f) Our Company will retain a Hong Kong legal adviser to advise on the on-going compliance requirements, any amendment or supplement to and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the Listing.
- (g) The Compliance Adviser will also advise our Company on the on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the Listing.

WAIVER IN RELATION TO THE DISCLOSURE REQUIREMENTS WITH RESPECT TO CHANGES IN SHARE CAPITAL

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of paragraph 26 of Part A of Appendix 1 to the Listing Rules in respect of disclosing the particulars of any alterations in the capital of any member of the Group within the two years immediately preceding the issue of this Prospectus.

As of the end of the Track Record Period, our Group is made up of over 450 subsidiaries, across more than 10 different jurisdictions, of which our Company and 30 Major Subsidiaries contributed to approximately 92% to our Group's revenue for the six months ended June 30, 2019 and held approximately 79% of our Group's total assets as of June 30, 2019. For further details, please see section headed "History, Development and Corporate Structure—Our Major Subsidiaries" in this Prospectus. Hence, the remaining subsidiaries in our Group are therefore insignificant to the overall results of our Group. It would be unduly burdensome on our Company if we are required to comply strictly with the requirements of paragraph 26 of Part A of Appendix 1 to the Listing Rules as our Company would have to incur additional costs and devote additional resources in compiling and verifying the relevant information for such disclosure, which would not be material or meaningful to investors.

Particulars of the changes in the share capital of our Company and the Major Subsidiaries are disclosed in the section headed "Statutory and General Information—A. Further Information about our Group—2. Changes in the Share Capital of our Company" and "Statutory and General Information—A. Further Information about our Group—4. Changes in the Share Capital of our Major Subsidiaries" in Appendix VIII to this Prospectus. Further, all major shareholding changes of our Company have been disclosed in the section headed "History, Development and Corporate Structure" in this Prospectus.

WAIVER AND EXEMPTION IN RELATION TO THE KM ESOP

Under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous

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Provisions) Ordinance, our Company is required to include in this Prospectus, among other things, details of the number, description, and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it, the names and addresses of the persons to whom it was given, and their potential dilution effect on the shareholding upon listing as well as the impact on the earnings per Share arising from the exercise of such outstanding options.

As of the Latest Practicable Date, our Company had outstanding options granted under the KM ESOP to 163 grantees, including employees, and a director of certain subsidiaries who is also a member of the senior management of our Group, to subscribe for an aggregate of 63,558,343 Shares, representing 2.09% of the total number of Shares in issue immediately after completion of the Global Offering, assuming that (a) the Offer Size Adjustment Option has not been exercised; (b) the incentivization arrangements related to Laurels and Mr. Jinchu Shen are settled entirely with the transfer of Shares; (c) the Offer Price is determined to be HK\$16.80, being the mid-point of the Offer Price range; and (d) the Listing Date is November 1, 2019, on the terms of the KM ESOP, details of which are set out in the section headed “Statutory and General Information—D. KM ESOP, Tier 1 ESOP and Post-IPO Share Option Scheme—1. KM ESOP” in Appendix VIII to this Prospectus.

Our Company has applied to the Stock Exchange and the SFC for: (a) a waiver from strict compliance with the applicable Share Option Disclosure Requirements; and (b) a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with the applicable Share Option Disclosure Requirements, respectively, on the ground that strict compliance with the Share Option Disclosure Requirements would be unduly burdensome for our Company for the following reasons:

- (a) As of the Latest Practicable Date, among all 163 grantees, one of them is a member of senior management and a connected person of our Company, but is not a Director. The remaining 162 grantees are or were employees of the Group, and are not Directors, members of senior management or connected persons of the Company. Strict compliance with the applicable Share Option Disclosure Requirements to disclose the names, addresses and entitlements on an individual basis in this Prospectus will require a substantial volume of additional disclosure in this Prospectus which would be costly and unduly burdensome for our Company in light of a significant increase in cost and time for compiling the information and preparing the disclosure in this Prospectus; and
- (b) We have highlighted some of the key concerns with loss of key personnel under the section headed “Risk Factor—We depend on our senior management team and certain key senior personnel as well as skilled employees” in this Prospectus, key amongst which is the fact that pursuant to certain agreements executed in connection with certain of the fund and investment vehicles we manage, certain senior management and local management are identified as “key persons” under key person clauses (and who are amongst the group of grantees who hold options with underlying shares of one million or more). If any of such key persons ceases to devote substantially all of their business time to activities directly or indirectly benefitting the projects held by these funds or investment vehicles during the specified commitment period, our capital partners will have the option to terminate these

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agreements. Such key persons clauses are standard in the funds industry in which we operate, and other fund managers would also face the same challenges in case of departures of key persons. Therefore, the loss of even one such key employee would cause significant concerns from a business perspective not only from the loss of the services of such key persons but also in relation to the continuation of these funds and investment vehicles if capital partners exercise their right to terminate their investment arrangements in our funds or investment vehicles, or leverage on the departure of any key person to renegotiate the terms of their investments. The disclosure of details of option holdings of key employees may facilitate poaching of key employees by competitors and potentially lead to their departures. Given the characteristic of our business, their departures may have a material and adverse impact on business, financial condition, results of operations, performance and prospects of the Group.

All material information has been disclosed in this Prospectus for investors' information, including (i) details of the holdings of our Directors, senior management and connected persons, (ii) the aggregate dilutive effect of the options, and (iii) further information provided to show how the options are being held by grantees within certain bands. Therefore, the granting of the waiver from strict compliance with the applicable Share Option Disclosure Requirements, would not prejudice the interests of the investing public in any manner. More specifically:

- (a) Material information relating to the options under the KM ESOP have been disclosed in this Prospectus as set out above, including the total number of Shares subject to the KM ESOP, the exercise price per Share, the potential dilution effect on shareholding, and impact on the earnings per Share upon the full exercise of the options granted under the KM ESOP. We have included detailed disclosure based on different bands of grantees, together with full details of those who (i) are the director, senior management or connect persons of the Company and (ii) have been granted options to subscribe for 3,000,000 Shares or more, to provide further information in terms of how such options are spread between holders; and
- (b) The full list of grantees with details stated individually will be made available for public inspection in Hong Kong as set out in this Prospectus. Therefore, such information would still be available to any investor who considered this material to its assessment of the Company.

The Stock Exchange has granted to us a waiver under the Listing Rules on the condition that:

- (a) full details of the options under the KM ESOP granted to each of our Directors, members of the senior management and connected persons of our Company, and other grantees who have been granted options to subscribe for 3,000,000 Shares or more have been disclosed in the section headed "Statutory and General Information—D. KM ESOP, Tier 1 ESOP and Post-IPO Share Option Scheme—1. KM ESOP" in Appendix VIII to this Prospectus, on an individual basis, as required under the applicable Share Option Disclosure Requirements;
- (b) for the remaining grantees (being the other grantees who are not Directors, members of the senior management or connected persons of our Company or other grantees who have not been granted options to subscribe for 3,000,000 Shares or more), disclosure have been

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made, on an aggregate basis, of (1) the aggregate number of grantees and their number of Shares underlying the options under the KM ESOP; (2) their consideration (if any) paid for the grant of the options under the KM ESOP; (3) their exercise period; and (4) the various exercise prices for the options granted under the KM ESOP, in the following bands: (i) grantees who have been granted options to subscribe for 1,000,000 Shares or less; and (ii) grantees who have been granted options to subscribe for 1,000,001 to 3,000,000 Shares;

- (c) the aggregate number of Shares underlying the options under the KM ESOP and the percentage of our Company's total issued share capital represented by such number of Shares as of the Latest Practicable Date are disclosed in this Prospectus;
- (d) the dilution effect and impact on earnings per Share upon full exercise of the options under the KM ESOP are disclosed in the section headed "Statutory and General Information—D. KM ESOP, Tier 1 ESOP and Post-IPO Share Option Scheme—1. KM ESOP" in Appendix VIII to this Prospectus;
- (e) a summary of the major terms of the KM ESOP is disclosed in the section headed "Statutory and General Information—D. KM ESOP, Tier 1 ESOP and Post-IPO Share Option Scheme—1. KM ESOP" in Appendix VIII to this Prospectus;
- (f) a full list of all the grantees (including those persons whose details have already been disclosed in this Prospectus) under the KM ESOP, containing all the particulars as required under the applicable Share Option Disclosure Requirements, will be made available for public inspection as detailed in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix IX to this Prospectus;
- (g) the certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Company from strict compliance with the applicable Share Option Disclosure Requirements has been granted by the SFC; and
- (h) the particulars of the waiver are disclosed in this Prospectus.

The SFC has granted to our Company the certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the conditions that:

- (a) full details of the options under the KM ESOP granted to each of our Directors, members of the senior management and connected persons of our Company, and other grantees who have been granted options to subscribe for 3,000,000 Shares or more have been disclosed in the section headed "Statutory and General Information—D. KM ESOP, Tier 1 ESOP and Post-IPO Share Option Scheme—1. KM ESOP" in Appendix VIII to this Prospectus, on an individual basis, as required under the applicable Share Option Disclosure Requirements;
- (b) for the remaining grantees (being the other grantees who are not Directors, members of the senior management or connected persons of our Company or other grantees who have not been granted options to subscribe for 3,000,000 Shares or more), disclosure have been

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made, on an aggregate basis, of (1) the aggregate number of grantees and their number of Shares underlying the options under the KM ESOP; (2) their consideration (if any) paid for the grant of the options under the KM ESOP; (3) their exercise period; and (4) the various exercise prices for the options granted under the KM ESOP, in the following bands: (i) grantees who have been granted options to subscribe for 1,000,000 Shares or less; and (ii) grantees who have been granted options to subscribe for 1,000,001 to 3,000,000 Shares;

- (c) a full list of all the grantees (including those persons whose details have already been disclosed in this Prospectus) under the KM ESOP, containing all the particulars as required under the applicable Share Option Disclosure Requirements, will be made available for public inspection as detailed in the section headed “Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection” in Appendix IX to this Prospectus; and
- (d) the particulars of the exemption are disclosed in this Prospectus, and this Prospectus will be issued on or before October 22, 2019.

Please refer to the section headed “Statutory and General Information—D. KM ESOP, Tier 1 ESOP and Post-IPO Share Option Scheme—1. KM ESOP” in Appendix VIII to this Prospectus for further details of the KM ESOP.

WAIVER IN RELATION TO DISCLOSURE OF PRE-ACQUISITION FINANCIAL INFORMATION

Rule 4.05A of the Listing Rules requires that where a new listing applicant acquires any material subsidiary or business during the trading record period and such an acquisition if made by a listed issuer would have been classified at the date of application as a major transaction or a very substantial transaction, it must disclose pre-acquisition financial information on that material subsidiary or business from the commencement of the trading record period (or if the material subsidiary or business commenced its business after the commencement of the trading record period, then from the date of the commencing of its business) to the date of acquisition. Pre-acquisition financial information on the material subsidiary or business must normally be drawn up in conformity with accounting policies adopted by the new applicant and be disclosed in the form of a note to the accountants’ report or in a separate accountants’ report.

Propertylink was, until its recent delisting in April 2019, listed in the form of a REIT on the Australian Stock Exchange (Stock Code: PLG), specializing in Australian industrial and office investments. Propertylink also co-invests in funds with institutional investors from North America, Europe, the Middle East, Asia and Australia. In October 2017, we acquired approximately 19.9% of the issued stapled securities of Propertylink and became its single largest securityholder. We further acquired the remaining securities in 2019 and the acquisition of 100% of the securities of Propertylink was completed in April 2019. As of March 20, 2019, being the date on which Propertylink was consolidated into our Group, Propertylink managed a total of 58 industrial and office properties, including assets managed under its co-invested external funds as well as assets held under its wholly-owned industrial portfolio. For further details, please refer to the section headed “Business – The Propertylink Acquisition” in this Prospectus.

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We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 4.05A of the Listing Rules in relation to the disclosure of pre-acquisition financial information of Propertylink on the following grounds:

- (a) In order to enable potential investors to make an informed assessment of our Company (including the Propertylink acquisition), this Prospectus has included the following information:
 - (i) Appendix II-A to this Prospectus sets out (i) the audited financial statements of Propertylink for the financial years ended June 30, 2017 and 2018 audited by KPMG; (ii) the audited financial statements of Propertylink (Holdings) Limited (currently known as ESR Asset Management (Holdings) Limited) (“**PHL**”) and Propertylink Trust (“**PT**”) for the year ended June 30, 2016 audited by Bentleys Brisbane Partnership; and (iii) the audited financial statements of Propertylink Australian Industrial Partnership (“**PAIP**”) for the six months ended June 30, 2016 audited by KPMG (collectively, the “**Propertylink 3Y Financial Information**”). The Propertylink 3Y Financial Information were prepared in accordance with the Australian Accounting Standards and which comply with IFRS.

Three entities, namely PHL, PT and PAIP, together with their respective subsidiaries, were stapled to form Propertylink during the completion of its initial public offering on August 15, 2016 and listing on the ASX. Prior to the completion of the initial public offering of Propertylink, PAIP was an independent legal entity of which the units were not stapled to the units in PT and the shares in PHL. As part of Propertylink’s listing process, PAIP published its audited accounts for the six months ended June 30, 2016 on the ASX pursuant to the ASX’s requirements. We have therefore included the standalone (i) audited financial statements of PHL and PT for the year ended June 30, 2016 and (ii) audited financial statements of PAIP for the six months ended June 30, 2016 in Appendix II-A to the Prospectus as well to provide more information to potential investors.

A line-by-line reconciliation of Propertylink’s financials in relation to the differences between Australian Accounting Standards and IFRS has not been included in this Prospectus as the Propertylink 3Y Financial Information was prepared in accordance with the Australian Accounting Standards which already comply with IFRS.

In addition, a line-by-line reconciliation of Propertylink’s financials in relation to the differences between the accounting policies adopted by Propertylink and our Company has not been included in this Prospectus because this would require our Company and its reporting accountants to undertake a considerable amount of work, which is onerous and burdensome in terms of the amount of time, resources and costs involved as further explained in paragraph 4.1.3 below. We consider that the omission of such information would not prevent our Company from providing its potential investors with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of Propertylink.

- (ii) Appendix II-B to this Prospectus sets out the audited interim consolidated financial statements of Propertylink for the period from July 1, 2018 to March 20, 2019, being

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the date on which the financial information of Propertylink was consolidated into the accounts of our Group. To ensure consistency with the Propertylink 3Y Financial Information, such interim consolidated financial statement was prepared in accordance with the Australian Accounting Standards, and which also complies with IFRS, and audited by Ernst & Young, Australia, which has been appointed as the auditor of Propertylink, which became a subsidiary of our Company following the completion of the acquisition; and

- (iii) Appendix I to this Prospectus sets out the audited financial information on our Group for the three years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, which has included the financial information of Propertylink which was consolidated to the accounts of our Group on and after March 20, 2019, prepared under IFRS and audited by Ernst & Young, the reporting accountants and independent auditor of our Company.
- (b) As Propertylink was listed on the ASX, in accordance with the rules and requirements of the ASX, Propertylink has published its financial information for the three years ended June 30, 2018 prepared in accordance with the Australian Accounting Standards and which also complies with IFRS, including its annual audited accounts, on a regular basis since it was listed on the ASX which will enable investors to assess its activities and financial position.
- (c) Strict compliance with the requirements of Rule 4.05A of the Listing Rules would require an accountants' report on the financial information of Propertylink to be prepared in respect of the (a) financial years ended December 31, 2016, 2017 and 2018; and (b) the period from January 1, 2019 to March 20, 2019 and such financial information of Propertylink would need to be prepared in conformity with the accounting policies adopted by our Company under IFRS. In order to prepare such financial information in compliance with the requirements of the Listing Rules, our Company and our reporting accountant would need to undertake the following work: (i) in order to present Propertylink's financial statements, with relevant notes, on the basis of the accounting policies adopted by our Company, would require, for example, our Company to conduct property valuations as of the end of relevant periods, conduct actuarial valuations on various pension and other post-retirement benefit plans as of the end of relevant periods, and re-compute income tax provisions and related tax adjustments; (ii) even after Propertylink's financial statements had been prepared for the pre-acquisition period on the basis of the accounting policies adopted by our Company under IFRS, the reporting accountant would need to re-conduct the audit procedures in relation to these financial statements; and (iii) to align the financial years of Propertylink, which ended on June 30, with that of our Company, which ends on December 31. These would require our Company and our reporting accountants to undertake a considerable amount of work, which impose onerous and burdensome obligations in terms of time, resources and costs, and would be of limited informational value to investors.

Prior to the acquisition of 100% of the Propertylink securities, our Company and our auditors have not been provided with access to Propertylink and its auditors which would be required in order for our Company's auditors to prepare the accountants' report on

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Propertylink for inclusion in this Prospectus. Propertylink was independently managed and operated as a separate ASX-listed entity. Considering that this Prospectus will include alternative financial statements (i.e. the Propertylink 3Y Financial Information and the audited financial statements of Propertylink for the period from July 1, 2018 to March 20, 2019) that are broadly commensurate in all material respects with the disclosure in the audited financial statements that would otherwise have been provided under strict compliance with Rule 4.05A of the Listing Rules, which will afford the investors with all material information necessary to assess the financial performance of Propertylink throughout the periods presented, we believe that strict compliance with Rule 4.05A of the Listing Rules will impose onerous and undue burdensome obligations on our Company and our reporting accountants.

- (d) In addition to the financial information on Propertylink referred to in paragraph (a) above, we have disclosed the following additional information on Propertylink in this Prospectus in order to enable potential investors to understand Propertylink in greater detail as well as the impact of the Propertylink Offer on our Group: (a) a brief summary of the background of the Propertylink Offer, including our Company's reasons for the Propertylink Offer and the basis upon which the consideration was determined; (b) a brief description of Propertylink's principal businesses; (c) the benefits which are expected to accrue to our Company as a result of the Propertylink Offer and confirmation that our Directors believe that the terms of the Propertylink Offer are fair and reasonable and in the interests of the shareholders of the Company as a whole; (d) other information required for a major transaction under Chapter 14 of the Listing Rules; and (e) a discussion and analysis of the financial information of Propertylink for the two years ended June 30, 2017 and 2018 and the period from July 1, 2018 to March 20, 2019.

WAIVER IN RESPECT OF PUBLIC FLOAT REQUIREMENTS

Rule 8.08(3) of the Listing Rules provides that not more than 50% of the securities in public hands at the time of listing can be beneficially owned by the three largest public shareholders, save where: (a) the securities to be listed are options, warrants or similar rights to subscribe or purchase shares; (b) such securities are offered to existing holders of a listed issuer's shares by way of bonus issue; and (c) in the 5 years preceding the date of the announcement on the proposed bonus issue, there are no circumstances to indicate that the shares of the issuer may be concentrated in the hands of a few shareholders.

We are proposing to offer 653,680,000 Offer Shares (comprising 280,140,000 New Shares and 373,540,000 Sale Shares) under the Global Offering, representing approximately 21.53% of our enlarged issued share capital immediately after the completion of the Global Offering (assuming the Over-allotment Option and the Offer Size Adjustment Option are not exercised). Upon completion of the Global Offering (assuming the Over-allotment Option and the Offer Size Adjustment Option are not exercised and the Offer Price is determined to be HK\$16.20 per Offer Share, being the low-end of the indicative Offer Price range stated in this Prospectus), approximately 42.18% of our enlarged issued share capital will be held in public hands, which is a larger public float than usual listing applicants on the Stock Exchange. On this basis, the aggregate shareholding of the three largest public Shareholders should not exceed 21.09%, being 50% of the Shares to be held in public hands.

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Based on the level of demand indicated by a cornerstone investor and the proposed size of the Global Offering, the aggregate shareholding of the three largest public Shareholders (including OMERS Administration Corporation) will be approximately 23.60% of our enlarged issued share capital immediately after completion of the Global Offering, representing approximately 55.96% of the Shares to be held in public hands immediately after the completion of the Global Offering (assuming the Over-allotment Option and the Offer Size Adjustment Option are not exercised), comprising:

- (a) OMERS Administration Corporation, holding approximately 9.00% of our enlarged issued share capital;
- (b) Jingdong Logistics Group Corporation (“**JD Group**”), an existing Shareholder, holding approximately 7.65% of our enlarged issued share capital; and
- (c) APG-Stichting, an existing Shareholder, holding approximately 6.95% of our enlarged issued share capital.

Rule 8.08 of the Listing Rules aims to ensure an open market in the securities to be listed on the Stock Exchange. In light of the size of the Global Offering, as well as the number and the corresponding board lots and market capitalization of Shares in public hands (excluding the shareholding of the three largest public Shareholders and other Shares subject to lock-up undertakings), there will be sufficient Shares (in terms of board lots) for broad distribution to the public in Hong Kong as well as professional and institutional investors in and outside Hong Kong. This would ensure a diverse investor base in the Shares, and will further contribute to an active and liquid aftermarket in the trading of the Shares, subject to market conditions and other external factors.

The following table sets out, (i) the total number of Shares held by public Shareholders; (ii) the number of Shares held by public Shareholders other than the three largest public Shareholders; (iii) the number of Shares held by public Shareholders other than (A) those held by the three largest public Shareholders and (B) those which are the subject of lock-up undertakings:

	Shares in public hands ⁽¹⁾	Shares in public hands (excluding the three largest public Shareholders)	Shares in public hands not subject to any lock-up ⁽²⁾⁽³⁾
Number of Shares and number of board lots of 200 Shares each	1,280,658,152 Shares (6,403,290 board lots)	564,036,394 Shares (2,820,181 board lots)	396,775,321 Shares (1,983,876 board lots)
HK\$ value of the Shares (based on HK\$16.20 per Shares, being the low-end of the indicative Offer Price range)	HK\$20,746,662,062	HK\$9,137,389,582	HK\$6,427,760,200
Percentage of total issued Shares immediately following completion of the Global Offering	42.18%	18.58%	13.07%

Notes:

- (1) Number of Shares in public hands at the time of Listing=(i) 653,680,000 initial Offer Shares under the Global Offering + (ii) 626,978,152 Shares held by the existing Shareholders which count towards the public float.
- (2) All of the Shares held by each of the existing Shareholders, save for 16,357,321 Shares held by Luckfield Global Limited, will be subject to a 6-month lock-up period upon Listing due to their respective undertakings to, among others, the Company and the Joint Global Coordinators. For further details, please refer to the sections headed “Underwriting – Lock-up Arrangements—Undertaking by the Selling Shareholders pursuant to the International Underwriting Agreement” and “Underwriting—Lock-up Arrangements—Undertaking by non-Selling Shareholders pursuant to the Lock-up Deeds” in the Prospectus. Hence, 610,620,831 Shares held by the existing Shareholders will not be included in “Shares in public hands not subject to any lock-up”.
- (3) Taking into consideration note (2) above, the number of Shares in public hands not subject to any lock-up at the time of Listing=(i) 653,680,000 initial Offer Shares under the Global Offering—(ii) the 273,262,000 Shares held by OMERS Administration Corporation + 16,357,321 Shares held by Luckfield Global Limited, being the only existing Shareholder whose Shares are not subject to any lock-up.

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Based on the above, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 8.08(3) of the Listing Rules to allow the three largest public Shareholders to hold no more than 55.96% of the Shares to be held in public hands immediately after the completion of the Global Offering (assuming the Over-allotment Option and the Offer Size Adjustment Option are not exercised). The grant of the waiver would reduce the total Shares in public hands (excluding the three largest public shareholders) from 21.09% of the enlarged issued share capital immediately after the completion of the Global Offering (assuming the Over-allotment Option and the Offer Size Adjustment Option are not exercised) to 18.58%.

Please also refer to the sections headed “History, Development and Corporate Structure—Pre-IPO Investments—Information about the principal Pre-IPO Investors” and “Cornerstone Investors” for further information regarding our three largest public shareholders.

We will disclose in the allotment results announcement: (i) the total number of Shares held by the three largest public Shareholders and the corresponding percentage of our enlarged issued share capital at the time of Listing; and (ii) the total number of Shares held by public Shareholders which are not subject to any lock up undertaking and the corresponding percentage of our enlarged issued share capital at the time of Listing.

WAIVER IN RESPECT OF CLAWBACK MECHANISM

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that, in the event of over-subscription, the alternative clawback mechanism on the following basis shall be applied, following the closing of the application lists.

- (a) If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 10 times or more but less than 45 times of the total number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing so that the total number of Offer Shares available under the Hong Kong Public Offering will be 51,700,000 Offer Shares, representing 7.9% of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Offer Size Adjustment Option and the Over-allotment Option);
- (b) If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 45 times or more but less than 95 times of the total number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing so that the total number of Offer Shares available under the Hong Kong Public Offering will be 68,700,000 Offer Shares, representing 10.5% of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Offer Size Adjustment Option and the Over-allotment Option); and

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- (c) If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 95 times or more of the total number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing so that the total number of Offer Shares available under the Hong Kong Public Offering will be 137,300,000 Offer Shares, representing 21.0% of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Offer Size Adjustment Option and the Over-allotment Option).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be corresponding reduced in a manner as the Joint Global Coordinators deem appropriate.

For further details, please see the section headed “Structure of the Global Offering—The Hong Kong Public Offering—Reallocation.”

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) (as amended) and the Listing Rules for the purpose of giving information to the public with regards to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this Prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING, STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING AND PROCEDURES FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES

The Hong Kong Public Offer Shares are offered solely on the basis of the information contained, representations made, and on and subject to the terms and conditions set out, in this Prospectus and the Application Forms. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this Prospectus and the Application Forms, and any information or representation not contained in this Prospectus and the Application Forms must not be relied upon as having been authorized by our Company or any of the Relevant Persons.

Neither the delivery of this Prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this Prospectus or imply that the information contained in this Prospectus is correct as of any date subsequent to the date of this Prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this Prospectus, and the procedures for applying for the Hong Kong Public Offer Shares are set out in the section headed "How to Apply for Hong Kong Public Offer Shares" in this Prospectus and in the Application Forms.

UNDERWRITING

This Prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this Prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us (on behalf of ourselves and the Selling Shareholders) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. An International Underwriting Agreement relating to the International Placing is expected to be entered into on or around Friday, October 25, 2019, subject to the Offer Price being agreed.

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If, for any reason, our Company (for ourselves and on behalf the Selling Shareholders) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on or before Thursday, October 31, 2019 the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, please see the section headed “Underwriting” in this Prospectus.

OFFER SIZE ADJUSTMENT OPTION

In connection with the Global Offering, the Offer Size Adjustment Option Grantors have granted the Offer Size Adjustment Option to the Hong Kong Underwriters, pursuant to which the Hong Kong Underwriters will have the right, exercisable by the Joint Global Coordinators on behalf of the Hong Kong Underwriters, on or before the Price Determination Date, to require the Offer Size Adjustment Option Grantors to sell up to an aggregate of 98,052,000 additional Shares at the Offer Price to cover additional market demand, if any.

Further details with respect to the Offer Size Adjustment Option are set forth in the section headed “Structure of the Global Offering—Offer Size Adjustment Option” in this prospectus.

DOWNWARD OFFER PRICE ADJUSTMENT

We have reserved the right to make a Downward Offer Price Adjustment to provide flexibility in pricing the Offer Shares. The ability to make a Downward Offer Price Adjustment does not affect our obligation to issue a supplemental prospectus and to offer investors a right to withdraw their applications if there is a material change in circumstances not disclosed in this Prospectus.

If it is intended that the final Offer Price is set at more than 10% below the bottom end of the indicative Offer Price range, the Withdrawal Mechanism will be applied if the Global Offering is to proceed.

RESTRICTIONS ON OFFER OF THE OFFER SHARES AND SALE OF SHARES

Each person acquiring the Hong Kong Public Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of the Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this Prospectus and the Application Forms.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this Prospectus and/or Application Forms in any jurisdiction other than Hong Kong. Accordingly, this Prospectus and/or Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

SELLING SHAREHOLDERS

As of the Latest Practicable Date, Luckfield Global Limited is still obtaining certain approvals to sell Shares pursuant to the International Placing, hence subject to such approvals being obtained,

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Luckfield Global Limited may or may not sell Shares pursuant to the International Placing. Such decision will be made prior to the time when the International Underwriting Agreement is proposed to be entered into on or about the Price Determination Date. If Luckfield Global Limited is not a Selling Shareholder, the Over-allotment Option Grantors will, on a pro-rata basis, sell additional Sale Shares equal to the number of Shares which Luckfield Global Limited would have sold in the Global Offering to ensure that the total number of Sale Shares in the Global Offering remains the same. For further details of the effect on the shareholding structure of our Company, please refer to the section headed “History, Development and Corporate Structure—Capitalization of the Company” in this Prospectus. For further details of the Selling Shareholders, please refer to the section headed “Statutory and General Information—10. Particulars of the Selling Shareholders, the Over-allotment Option Grantors and the Offer Size Adjustment Option Grantors” in this Prospectus.

We estimate the net proceeds to the Selling Shareholders from the sale of Sale Shares pursuant to the Global Offering, assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised, to be approximately HK\$6,149.5 million (approximately US\$784.0 million) (assuming an Offer Price of HK\$16.80 per Offer Share, being the mid-point of the indicative Offer Price range), after deducting the underwriting commission and estimated related expenses payable by the Selling Shareholders. We will not receive net proceeds from the sale of Sale Shares pursuant to the Global Offering, whether or not the Over-allotment Option is exercised.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering, the exercise of the Over-allotment Option and the Shares which may be issued under the KM ESOP, Tier 1 ESOP and Share Option Scheme.

Save as disclosed in this Prospectus, no part of our Company’s share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 am on Friday, November 1, 2019. The Shares will be traded in board lots of 200 Shares each. The stock code of the Shares will be 1821.

ADMISSION OF THE SHARES INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

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REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal registrar, Walkers Corporate Limited, in the Cayman Islands and our Company's Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Placing will be registered on the Hong Kong branch register of members of our Company in Hong Kong. Dealings in the Shares will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in, our Shares (or exercising rights attached to them). None of us or any of the Relevant Persons accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangement relating to the Over-allotment Option and stabilization are set out under the section headed "Underwriting" in this Prospectus.

EXCHANGE RATE CONVERSION

Solely for convenience purposes, this Prospectus includes translations among certain amounts denominated in Australian dollars, European euros, Hong Kong dollars, Japanese Yen, Korean won, Renminbi, Singapore dollars and U.S. dollars. No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated, or at all.

Unless otherwise indicated, the translations of certain Australian dollars, European euros, Hong Kong dollars, Japanese Yen, Korean won, Renminbi, Singapore dollars into U.S. dollars were made at the rates of AUD1.4697, EUR0.9059, HK\$7.8441, JPY108.5200, KRW1,195.6100, RMB7.0868, SGD1.3714 to US\$1.00, respectively, each being the noon buying rate as set forth in the H.10 statistical release of the United States Federal Reserve Board on October 11, 2019. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between this Prospectus and the Chinese translation of this Prospectus, this Prospectus shall prevail. Translated English names of Chinese, Japanese and Korean laws and regulations, governmental authorities, departments, entities, enterprises (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this Prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese, Japanese and Korean names (as appropriate) will prevail.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

ROUNDING

Unless otherwise stated, all the numerical figures are rounded to one decimal place.

Any discrepancies between totals and sums of amounts listed in any table or chart are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Jinchu Shen (沈晉初)	Room B, 62/F., Block 1, Harbourfront Landmark, No. 11 Wan Hoi Street, Hung Hom, Hong Kong	Chinese
Mr. Stuart Gibson	Domus Minamiazabu #502, 3-10-1, Minamiazabu, Minato-ku, Tokyo, Japan	British
Mr. Charles Alexander Portes	17 Cove Drive, #04-24 Marina Collection, Singapore 098329	American
Non-executive Directors		
Mr. Jeffrey David Perlman (Chairman)	7 Ardmore Park, #12-01, Ardmore Residence, Singapore 259954	American
Mr. Joseph Raymond Gagnon	793 NC Hwy 62E Pleasant Garden North Carolina 27313 USA	American
Mr. Zhenhui Wang (王振輝)	No. 107, Building 9, Hua Qing Jia Yuan, Haidian District, Beijing, PRC	Chinese
Mr. Ho Jeong Lee	213-dong 1103-ho, 46, Wi city 4-ro, Ilsandong-gu Goyang-si, Gyeonggi-do, South Korea	South Korean
Independent non-executive Directors		
Mr. Brett Harold Krause	Room 601, No. 4, 777 Biyun Road, Shanghai, PRC	American
The Right Honourable Sir Hugo George William Swire, KCMG, MP	Base, 31 Walpole Street, London, SW3 4QS, United Kingdom	British
Mr. Simon James McDonald	#66-11, 2 Marina Boulevard, The Sail @ Marina Bay, Singapore 018987	Australian
Ms. Jingsheng Liu (劉京生)	A1701, Wensha Building, No. 1 Guanghua Xi Li, Chaoyang District, Beijing, PRC	Chinese
Mr. Robin Tom Holdsworth	Flat B, 9/F, Arbuthnot House, 10-12 Arbuthnot Road, Hong Kong	British

For more information on our Directors, please refer to the section headed “Directors and Senior Management” in this Prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

Deutsche Securities Asia Limited

52/F, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

CLSA Capital Markets Limited

18/F, One Pacific Place
88 Queensway
Hong Kong

Joint Global Coordinators

Morgan Stanley Asia Limited

46/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Deutsche Bank AG, Hong Kong Branch

52/F, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Citigroup Global Markets Asia Limited

50th Floor, Champion Tower
3 Garden Road, Central
Hong Kong

Credit Suisse (Hong Kong) Limited

Level 88, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Goldman Sachs (Asia) L.L.C.

68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Joint Bookrunners

Morgan Stanley Asia Limited

(in relation to the Hong Kong Public Offering)
46/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Morgan Stanley & Co. International plc

(in relation to the International Placing)
25 Cabot Square, Canary Wharf
London E14 4QA
United Kingdom

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Deutsche Bank AG, Hong Kong Branch

52/F, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

CCB International Capital Limited

12/F, CCB Tower
3 Connaught Road Central
Central, Hong Kong

China International Capital Corporation

Hong Kong Securities Limited

29/F One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Citigroup Global Markets Asia Limited

(in relation to the Hong Kong Public Offering)
50th Floor, Champion Tower
3 Garden Road, Central
Hong Kong

Citigroup Global Markets Limited

(in relation to the International Placing)
33 Canada Square
Canary Wharf
London
E14 5LB
United Kingdom

CLSA Limited

18/F, One Pacific Place
88 Queensway
Hong Kong

**Crédit Agricole Corporate and Investment Bank,
Hong Kong branch**

(in relation to the Hong Kong Public Offering)
27/F, Two Pacific Place
88 Queensway, Admiralty, Hong Kong

Crédit Agricole Corporate and Investment Bank

(in relation to the International Placing)
27/F, Two Pacific Place
88 Queensway, Admiralty, Hong Kong

Credit Suisse (Hong Kong) Limited

Level 88, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DBS Asia Capital Limited

73/F, The Center
99 Queen's Road Central
Central
Hong Kong

Goldman Sachs (Asia) L.L.C.

68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Mirae Asset Securities (HK) Limited

Units 8501, 8507-08
Level 85, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

UOB Kay Hian (Hong Kong) Limited

15/F, China Building
29 Queen's Road Central, Hong Kong

Legal Advisors to Our Company

As to Hong Kong and U.S. law:

Latham & Watkins LLP

18th Floor, One Exchange Square
8 Connaught Place, Central
Hong Kong

As to PRC law:

Global Law Office

15/F Tower 1, China Central Place
No. 81 Jianguo Road, Chaoyang District
Beijing 100025, PRC

As to Japanese law:

Nagashima Ohno & Tsunematsu

JP Tower, 7-2 Marunouchi 2-chome,
Chiyoda-ku, Tokyo 100-7036
Japan

As to South Korean law:

Shin & Kim

23F, D-Tower (D2)
17 Jongno 3-gil, Jongno-gu
Seoul 03155, Korea

As to Singapore law:

White & Case Pte. Ltd.

8 Marina View # 2701
Asia Square Tower 1
Singapore 018960

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	<i>As to Australian law:</i> Corrs Chambers Westgarth Level 17, 8 Chifley 8-12 Chifley Square Sydney NSW 2000 Australia
	<i>As to Indian law:</i> Kanga & Co Readymoney Mansion 43, Veer Nariman Road, Fort Mumbai-400 001 India
	<i>As to Cayman Islands and BVI law:</i> Walkers (Hong Kong) 15/F, Alexandra House 18 Chater Road, Central Hong Kong
Legal Advisors to the Joint Sponsors and the Underwriters	<i>As to Hong Kong and U.S. law:</i> Freshfields Bruckhaus Deringer 55th Floor, One Island East Taikoo Place, Quarry Bay Hong Kong
	<i>As to PRC law:</i> Commerce & Finance Law Offices Jing An Kerry Center Tower 1, 10th floor 1515 West Nanjing Road Shanghai, China
Reporting Accountants and Independent Auditor	Ernst & Young 22/F CITIC Tower 1 Tim Mei Avenue, Central Hong Kong
Property Valuers	Beijing Colliers International Real Estate Valuation Co., Ltd. Suite 501, Tower W3 Oriental Plaza No. 1 East Chang'an Avenue Dongcheng District Beijing, China, 100738
	Cushman & Wakefield K.K. Sanno Park Tower 13F 2-11-1 Nagatacho 2-11-1 Nagatacho Chiyoda-ku, Tokyo, 100-6113 Japan

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

CBRE Limited

3/F, 4/F & 12/F 1204-06 (Reception)

Three Exchange Square

8 Connaught Place

Central, Hong Kong

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

7th Floor, One Taikoo Place

979 King's Road, Quarry Bay

Hong Kong

Industry Consultant**Jones Lang LaSalle Limited**

7/F, One Taikoo Place

979 King's Road, Quarry Bay

Hong Kong

Receiving Bank**Standard Chartered Bank (Hong Kong) Limited**

15th Floor, Standard Chartered Tower

388 Kwun Tong Road

Kwun Tong, Kowloon

Hong Kong

Compliance Advisor**Octal Capital Limited**

Room 801-805 Nan Fung Tower

88 Connaught Road Central

Hong Kong

CORPORATE INFORMATION

Registered office	c/o Walkers Corporate Limited Cayman Corporate Centre 27 Hospital Road, George Town Grand Cayman, KY1-9008 Cayman Islands
Headquarters and principal place of business in Hong Kong	2406-07 Man Yee Building 68 Des Voeux Road, Central Hong Kong
Company's website	<u>www.esr.com</u> <i>(The contents on this website do not form part of this Prospectus)</i>
Company Secretary	Mr. Richard Kin-sing Lee (李建成) <i>(Hong Kong solicitor)</i> 2406-07, Man Yee Building 68 Des Voeux Road Central Hong Kong
Authorized Representatives	Mr. Jinchu Shen (沈晉初) Room B, 62/F., Block 1 Harbourfront Landmark No. 11 Wan Hoi Street, Hung Hom Hong Kong Mr. Richard Kin-sing Lee (李建成) 2406-07, Man Yee Building 68 Des Voeux Road Central Hong Kong
Audit Committee	Mr. Simon James McDonald <i>(Chairman)</i> Mr. Joseph Raymond Gagnon Mr. Brett Harold Krause Mr. Ho Jeong Lee Mr. Robin Tom Holdsworth
Nomination Committee	The Right Honorable Sir Hugo George William Swire, KCMG, MP <i>(Chairman)</i> Mr. Brett Harold Krause Ms. Liu Jingsheng (劉京生)
Remuneration Committee	Mr. Brett Harold Krause <i>(Chairman)</i> Mr. Jeffrey David Perlman Mr. Simon James McDonald
Principal share registrar and transfer office	Walkers Corporate Limited 27 Hospital Road, George Town Grand Cayman, KY1-9008 Cayman Islands

CORPORATE INFORMATION

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong

Principal bankers

Australia and New Zealand Banking Group Limited
Level 3, 100 Queen Street,
Melbourne VIC 3000
Australia

Bank of China, Singapore Branch
4 Battery Road, Bank of China Building
Singapore

BNP Paribas, Australia Branch
60 Castlereagh Street
Sydney, NSW 2000
Australia

Crédit Agricole Corporate and Investment Bank, Hong Kong branch
27/F, Two Pacific Place
88 Queensway, Admiralty, Hong Kong

Credit Suisse AG
One Raffles Link, #05-02
Singapore 039393

Deutsche Bank AG Singapore Branch
One Raffles Quay
#16-00 South Tower
Singapore 048583

National Australia Bank Limited
Level 22, 255 George Street
Sydney, NSW 2000
Australia

Standard Chartered Bank
Marina Bay Financial Centre (Tower 1)
8 Marina Boulevard
Level 23
Singapore 018981

SRCB Shanghai
2/F, Building B, No. 70
Second East Zhongshan Road
Shanghai, China

United Overseas Bank Limited
80 Raffles Place
#29-03 UOB Plaza 1
Singapore 049624

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

Our Group's history dates back to our major predecessors, namely e-Shang and the Redwood group.

In 2011, e-Shang was co-founded by WP OCIM and Mr. Jinchu Shen, our co-CEO and executive Director. Mr. Shen has substantial experience in modern logistics in the PRC, and prior to the founding of e-Shang he was a senior vice president of Prologis China, and advised Prologis China on their initial entry into the PRC when he was at DTZ. E-Shang grew to become a fully integrated development and investment management business from 2011 to 2016, and was one of the top developers, owners and operators of modern logistics facilities in the PRC, with a strong emerging business in South Korea led by Korean logistics industry leaders, Mr. Thomas Nam and Mr. Jihun Kang.

The Redwood group was founded in 2006 by Mr. Charles Alexander Portes and Mr. Stuart Gibson, both of whom are our executive Directors and have substantial experience in developing modern warehouses in Asia. The Redwood group was a specialized logistics real estate firm with established knowledge and experience that included in-house development, leasing and asset management services (with a primary focus on the identification and execution of logistics warehousing), and warehousing and transportation real estate solutions for some of the largest end-users and 3PL providers operating in APAC and the rest of the world.

In January 2016, e-Shang and the Redwood group completed an all stock merger to form our Company, which effectively: (a) increased our scale by expanding our development pipelines in the PRC, Japan and South Korea; (b) enhanced our business relationships with leading multinational corporate tenants who carry out business in APAC; (c) deepened our relationships with a well-diversified, blue-chip institutional capital partner base, including, but not limited to, APG Group, PGGM (a co-operative Dutch pension fund service provider), CPPIB, Morgan Stanley AIP and Goldman Sachs Investments Holdings (Asia) Limited ("**Goldman Sachs**"); and (d) brought together a combined management team of leaders and industry innovators from around the world. Since completion of the 2016 Merger, we have undergone a few major mergers and acquisitions, including the Prax Capital acquisition in late 2016, and further expanded our business in recent years to increase our presence throughout APAC, including Singapore through the acquisition of a majority stake in ESR-REIT Manager and the entire issued share capital of ESR Property Management (S) Pte. Ltd. in early 2017, Australia through the investments in Propertylink and Centuria in late 2017 and the acquisition of CIP in 2018, and India since 2017, with our industry leader country heads in each jurisdiction spearheading such efforts, including Mr. Adrian Chui in Singapore, Mr. Philip Pearce in Australia and Mr. Abhijit Malkani and Mr. Jaikumar Mirpuri in India.

KEY MILESTONES

The following is a summary of our key milestones and achievements in the business development of our Group:

Year	Event
2006	Mr. Charles Alexander Portes and Mr. Stuart Gibson founded the Redwood group to invest in modern logistics facilities in Asia and with fund management and capital raising operations based in Singapore.
2011	WP OCIM co-founded e-Shang with Mr. Jinchu Shen.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Year	Event
2012	The Redwood group formed its first PRC logistics development fund, Redwood China Logistics Fund Limited Partnership.
2013	The Redwood group formed its first Japan logistics development fund, Redwood Japan Logistics Fund Limited Partnership.
2014	E-Shang formed E-Shang Star, a PRC logistics development fund. E-Shang expanded into South Korea.
2015	E-Shang formed Sunwood Star, a Korea logistics development fund.
2016	In January, e-Shang and the Redwood group merged, forming our Group. We launched our first post-merger logistics development fund in Japan, Redwood Japan Logistics Fund II Limited Partnership.
2017	We established our first PRC core fund, China Invesco Core Fund, focusing on investing in mature income-yielding logistics properties in the PRC. We expanded into the Singapore market and obtained control of the ESR-REIT Manager and subsequently became the second largest unitholder of ESR-REIT. We expanded into the Indian market and established an experienced local management team. We expanded into Australia by becoming the largest securityholder of Centuria (an ASX-listed property funds manager). We also made an equity investment in Propertylink (a real estate group specializing in Australian industrial and office investments, listed on ASX) and became its single largest securityholder.
2018	We made a strategic investment in CNLP, the third largest logistics real estate player in the PRC, which is listed on the Hong Kong Stock Exchange. We established our first South Korea core fund, which invests in mature income-yielding logistics properties in South Korea. In August, we acquired the entire equity interest in CIP, a leading property development group in Australia. In October, ESR-REIT merged with VIT, which was the first merger of REITs listed on the Singapore Stock Exchange. We established our first Japan core logistics fund, which invests in mature income-yielding logistics properties in Japan, under which we subsequently formed a new core joint venture in December 2018 with AXA Investment Managers-Real Assets and a major sovereign wealth fund for acquisitions of core stabilized logistics assets in Japan. We partnered with NCI and established NCI Core Fund, which invests in mature income-yielding logistics properties in the PRC. We established our first logistics and industrial fund in India with a global real estate investor based in Germany.
2019	In April, we acquired 100% of the securities of Propertylink, and Propertylink was subsequently delisted from the ASX. In May, we established our Japan Logistics Fund III, which will focus on the development of large-scale, modern logistics facilities in the largest metropolitan areas of Japan. In August, we increased our holdings in the equity interest of Sabana Manager to approximately 96.0%.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Year	Event
	In August, we have entered into an umbrella agreement to establish our new fund in Australia, which will focus on the acquisition of warehouse and logistics facilities located in various locations on the east coast of Australia.
	We completed the disposal of seven balance sheet properties to NCI Core Fund.

MAJOR ACQUISITIONS AND MERGERS

e-Shang Redwood Merger

In November 2015, our Company, Redwood Investor (and its shareholders) and the then Shareholders of our Company entered into the Merger Agreement, under which our Company and the Redwood Investor agreed to merge the entire issued share capital of: (a) Redwood with e-Shang Galaxy Singapore Pte. Ltd; and (b) Redwood Asian Investments Limited with e-Shang Galaxy Cayman Ltd. Pursuant to the Merger Agreement, our Company agreed to allot the Redwood Investor 389,933,535 Class B4 Shares, which was determined based on arm's length negotiation among the parties and the respective value of Redwood's and e-Shang's underlying businesses. Completion took place on January 20, 2016. The 2016 Merger enabled us to benefit from the complementary and differentiated geographic footprints of e-Shang and the Redwood group, resulting in enhanced operational capabilities and business relationships to cater to the needs of leading e-commerce players, modern bricks-and-mortar retailers and 3PL providers in the PRC, Japan and South Korea.

The pre-2016 Merger financial information of Redwood and Redwood Asian Investments Ltd. for the period from January 1, 2016 to January 20, 2016 as required under Rule 4.05A of the Listing Rule is set out in the section headed "IV. Supplementary Pre-Acquisition Financial Information of Redwood Asian Investments, Ltd. and ESR Singapore Pte. Ltd. Business" in Appendix I to this Prospectus.

Prax Capital Acquisition

In May 2016 (as amended in September 2016), we entered into a share purchase agreement with Prax Capital China Logistics Holding Limited, Prax Capital China Real Estate Fund III, L.P., Prax Capital China Real Estate Fund III GP, LTD., all being independent third parties, and others to indirectly acquire 100% equity interests in Wuhan Minglong, Wuhan Mingju, Tianjin Mingcheng and Taicang Mingzhan Logistics Company Limited at an aggregate purchase price of RMB588.8 million which was determined with reference to the fair market value of the properties held by such companies and the net assets of such companies and settled by our self-generated funds and bank financing. The acquisition of Wuhan Minglong was completed on September 22, 2016, and the rest of the acquisitions were completed on October 20, 2016.

ESR-REIT / VIT Merger

In January 2017, our Group acquired 80.0% of ESR-REIT Manager and 100% of ESR Property Management (S) Pte. Ltd. from Nabinvest Capital Partners Pty Limited and CREIM Limited, both independent third parties, as well as 12.0% of the units in ESR-REIT from a number of independent third parties, becoming the second largest unitholder of ESR-REIT, for an aggregate consideration of approximately SGD150 million, which was determined based on, among other things, the corporate value of ESR-REIT and settled by our self-generated funds and bank financing. ESR-REIT Manager serves as the manager of the ESR-REIT while ESR Property Management (S) Pte. Ltd. provides property management services to the REIT.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

In May 2018, ESR-REIT entered into an agreement with VIT, pursuant to which ESR-REIT agreed to acquire all the issued and paid-up stapled securities of VIT held by the stapled security holders of VIT by way of a trust scheme of arrangement at a consideration of SGD936.7 million (approximately US\$683.0 million), which was determined based on, among other things, the corporate value of VIT company's underlying business and settled by our self-generated funds and bank financing. The merger became effective on October 15, 2018. As part of the VIT Merger, ESR-REIT Manager acquired all of the issued shares of the Viva Industrial Trust Management Pte. Ltd., the manager of VIT, from VIM, an independent third party, for an aggregate consideration of SGD62.0 million (approximately US\$45.2 million), which was determined based on, among other things, its underlying business' corporate value and settled by our self-generated funds and bank financing. Concurrently, Shanghai Summit Pte. Ltd. ("SSPL"), being a company incorporated in Singapore and an indirect shareholder of VIM, subscribed for a 25.0% stake in ESR-REIT Manager. As of the Latest Practicable Date, ESR-REIT Manager is held by our Group as to 67.3%, SSPL as to 25.0% and Mitsui as to 7.7%.

Propertylink Acquisition

In October 2017, we acquired approximately 19.9% of the issued stapled securities of Propertylink and became the single largest Propertylink securityholder. On November 12, 2018, we (through our subsidiary, ESR Australia) entered into a bid implementation agreement with Propertylink to acquire all of the securities of Propertylink owned by third parties by way of an off-market takeover offer (the "**Propertylink Offer**"). Propertylink is an ASX-listed internally-managed REIT, specializing in Australian industrial and office investments. Propertylink also co-invests in funds with institutional investors from North America, Europe, the Middle East, Asia and Australia. On November 19, 2018, we (through our subsidiary, ESR Australia) served on Propertylink the Bidder's Statement in relation to the Propertylink Offer, which contains the terms of the Propertylink Offer. Propertylink became our non-wholly-owned subsidiary on March 20, 2019, and we completed our acquisition of 100% of Propertylink on April 24, 2019. Propertylink was delisted from the ASX on April 26, 2019. The three entities that comprise Propertylink were de-stapled on May 30, 2019.

Our valuation of Propertylink, and the consideration offered under the Propertylink Offer of AUD1.20 per Propertylink security (which included the proposed interim distribution to Propertylink securityholders of AUD0.036 per Propertylink security), was determined based on, among other things, our estimation of their value, the publicly listed price of Propertylink securities and the negotiation processes with the Propertylink board. The consideration paid by us under the Propertylink Offer and any associated transaction costs were funded by us through a combination of (a) external debt provided to us under a AUD230 million (approximately US\$156.5 million) share acquisition bridging facility, which has since been refinanced with debt that is secured by the underlying assets of Propertylink; and (b) existing cash and cash equivalents sources within our Group including pursuant to an equity commitment letter for up to AUD352 million (approximately US\$239.5 million). Please refer to the section headed "Business—The Propertylink Acquisition" in this Prospectus for further information.

We have included additional financial information in relation to Propertylink in Appendices II-A and II-B to this Prospectus. For further details, please refer to the section headed "Waivers and Consent from Strict Compliance with the Listing Rules and Exemptions from Companies (Winding Up and Miscellaneous Provisions) Ordinance—Waiver in relation to disclosure of pre-acquisition financial information" in this Prospectus.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

CIP Acquisition

In August 2018, our Group acquired the equity interest in CIP from four independent third party sellers following a competitive auction process at a consideration of AUD40.1 million (approximately US\$27.3 million), which was determined with reference to the enterprise value of the CIP with adjustments for its dividend, debt and other negotiated deal specific items. Part of the consideration was settled by way of issuing shares in ESR Australia Holding Company Pte. Ltd. amounting to AUD4.0 million (approximately US\$2.7 million) to two of the sellers, while the remainder was settled in cash. The Group also paid additional amounts to the sellers to acquire outstanding shareholder loans and funded certain other amounts on behalf of the sellers in connection with the acquisition. We plan to have CIP to act as the seed platform to launch the Group's business in Australia. CIP is an integrated development group with a national presence in Australia and has developed more than 1.5 million sq.m. of commercial and industrial real estate projects, with a combined value of over US\$1.8 billion. CIP has a large portfolio of developments in the pipeline across Australia's eastern seaboard with a fully developed and GFA at completion of over 600,000 sq.m.

Sabana Manager Acquisition and Sabana REIT Investment

Sabana Manager is a company incorporated in Singapore and is the fund manager of Sabana REIT. Sabana REIT has a diversified property portfolio valued at SGD872.2 million (approximately US\$636.0 million) as of June 30, 2019, comprising 18 properties strategically located across Singapore. Sabana REIT primarily invests in income-producing real estate for industrial purposes and real estate-related assets. Its portfolio comprises quality industrial buildings in four property segments: high-tech industrial park, warehouse and logistics, chemical warehouse and logistics as well as general industrial. Immediately prior to the Sabana Manager Acquisition and Sabana REIT Investment, we held an indirect 42.8% interest in Sabana Manager and a direct and indirect 12.97% interest in Sabana REIT.

On May 22, 2019, we (through our subsidiary InfinitySub Pte. Ltd.) entered into a sale and purchase agreement with Vibrant Group Limited, an independent third party, in relation to the purchase of 51% of the issued share capital of Sabana Investment Partners Pte. Ltd., the 100% shareholder of Sabana Manager, at a consideration of SGD20.5 million (approximately US\$14.9 million), which was determined with reference to the trading multiples of comparable companies and acquisition multiples of comparable precedent transactions. Such consideration was settled by our self-generated funds and bank financing. The Sabana Manager Acquisition was completed on June 28, 2019. Concurrently, we (through our subsidiary e-Shang Infinity Cayman Limited) also entered into separate sale and purchase agreements with independent third parties to purchase 104,390,903 units (representing approximately 9.9% of the then total issued units) in Sabana REIT for approximately SGD50.1 million (approximately US\$36.5 million). Such consideration was settled by our self-generated funds and bank financing. The final tranche of the Sabana REIT Investment was completed on July 9, 2019. Upon completion of the Sabana Manager Acquisition and the Sabana REIT Investment, we hold approximately 93.8% equity interest in Sabana Manager and approximately 21.2% of the total issued units in Sabana REIT. Given that (a) the relevant sale and purchase agreements in relation to the Sabana Manager Acquisition and Sabana REIT Investment were entered into during the Track Record Period; and (b) the Sabana Manager Acquisition and Sabana REIT Investment, in aggregate, do not constitute a major transaction under the Listing Rules, pre-acquisition financial information in relation to Sabana Manager and Sabana REIT is not required to be disclosed in this Prospectus under Rule 4.05A of the Listing Rules.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

On August 30, 2019, we (through our subsidiary InfinitySub Pte. Ltd.) entered into a sale and purchase agreement with Ms. Ng Shin Ein, an independent third party, to purchase approximately 2.2% indirect interest in Sabana Investment Partners Pte. Ltd. at a consideration of approximately SGD1.6 million (approximately US\$1.2 million), which was settled by our self-generated funds and bank financing and was completed on the same day. In addition, we (through our subsidiary InfinitySub Pte. Ltd.) will be entering into a sale and purchase agreement with Atrium Asia Capital Partners Pte. Ltd., an independent third party, to further purchase 4% of the issued share capital of Sabana Investment Partners Pte. Ltd. at a consideration of SGD1.4 million (approximately US\$1.0 million), which is expected to be settled by our units in Sabana REIT and be completed by end of 2019. The considerations in relation to the above acquisitions were determined with reference to the trading multiples of comparable companies and acquisition multiples of comparable precedent transactions. Upon completion of the abovementioned acquisitions, we will hold the entire equity interest in Sabana Manager and it will become our indirect wholly-owned subsidiary.

OUR MAJOR SUBSIDIARIES

As of the end of the Track Record Period, our Group comprised over 450 companies. Due to the project-specific nature of our business, we have established individual project companies for the holding, development and operation of different projects. We have also established companies which perform various functions for our funds management business.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

The principal business activities and date of establishment and commencement of business of each member of our Group that made a material contribution to our results of operations during the Track Record Period are shown below:

Name of entity	Place of incorporation	Issued share capital/registered capital/investment amount	Principal business activities	Date of establishment and commencement of business
e-Shang (pre-merger)	Cayman Islands	US\$2,924,465,293	Ultimate Parent Company	June 14, 2011
CIP	Australia	AUD30,258,518.93	Investment Holding Company	June 12, 2003
Jiangsu Friend Warehousing Co., Ltd. (江蘇富萊德倉儲有限公司)	PRC	RMB371,320,077	Project Company	August 14, 2003
ESR-REIT Manager	Singapore	SGD64,714,500	Management Company of the ESR REIT	September 14, 2005
ESR Property Management (S) Pte. Ltd.	Singapore	SGD250,000	Property Management Company of the ESR REIT	November 4, 2005
ESR LTD	Japan	JPY466,970,000	Management Company	May 8, 2006
Redwood	Singapore	US\$1	Management Company	November 27, 2007
Shanghai Yurun Meat Food Co., Ltd (上海雨潤肉食品有限公司)	PRC	RMB650,000,000 ⁽⁵⁾	Project Company	June 3, 2010
Langfang Weidu International Logistics Co., Ltd (廊坊唯度國際物流有限公司)	PRC	US\$24,000,000	Project Company	March 15, 2011
Shanghai e-Shang Warehousing Services Co., Ltd. (上海益商倉儲服務有限公司)	PRC	RMB109,090,909	Management Company	July 8, 2011
Dongguan Hongshang Warehousing Service Co., Ltd (東莞鴻商倉儲服務有限公司)	PRC	US\$63,000,000	Project Company	June 24, 2013
Dongguan Huishang e-commerce Service Co., Ltd (東莞匯商電子商務服務有限公司)	PRC	US\$20,000,000	Project Company	December 21, 2011
Xinbin (Shanghai) Corporate Management Services Co., Ltd (新賓 (上海) 企業管理服務有限公司) ⁽¹⁾	PRC	US\$15,000,000	Project Company	February 22, 2012
Summit (BVI) Limited	BVI	US\$1	Investment Holding Company	February 24, 2012
Guangzhou Mingyue Warehousing Co., Ltd. (廣州市銘粵倉儲有限公司)	PRC	RMB76,000,000	Project Company	December 6, 2012
Redwood Asian Investments, Ltd	Cayman Islands	US\$100	Investment Holding Company	August 5, 2013
Tianjin Fanbin Warehousing Service Co., Ltd (天津凡濱倉儲服務有限公司)	PRC	US\$29,200,000	Project Company	August 22, 2013
Tianjin Mingcheng Warehousing Co., Ltd. (天津明誠倉儲有限公司) ⁽²⁾	PRC	US\$12,000,000	Project Company	October 28, 2013

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Name of entity	Place of incorporation	Issued share capital/registered capital/investment amount	Principal business activities	Date of establishment and commencement of business
Tianjin Fanxin Warehousing Service Co., Ltd. (天津凡信倉儲服務有限公司)	PRC	US\$16,500,000	Project Company	June 17, 2014
Wuhan Mingju Supply Chain Company Limited ⁽⁴⁾ (武漢明聚供應鏈發展有限公司)	PRC	US\$16,700,000	Project Company	December 10, 2013
Kendall Square Logistics Properties, Inc.	South Korea	KRW9,000,000,000	Management Company for Korea focused funds	December 12, 2014
Sunwood Singapore Holding Pte. Ltd.	Singapore	US\$149,457,336	Investment Holding Company (JV with Korea Founders)	December 24, 2014
Hangzhou Mingpu Supply Chain Management Co., Ltd. (杭州明浦供應鏈管理有限公司) ⁽³⁾	PRC	US\$30,000,000	Project Company	June 29, 2015
e-Shang Infinity Cayman Limited	Cayman Islands	US\$35,243,934	Investment Holding Company	September 30, 2015
Shenyang Yibei Warehousing Service Co., Ltd. (瀋陽易北倉儲服務有限公司)	PRC	US\$15,000,000	Project Company	December 8, 2015
RW Higashi Ogishima TMK	Japan	JPY12,652,350,000	Asset Holding Company	March 18, 2016
Kendall Square Asset Management, Inc.	South Korea	KRW2,500,000,000	Management Company for Korea focused funds	September 1, 2016
ESR Pte Ltd	Singapore	AUD308,885,207	Investment Holding Company	May 26, 2017
ESR HK Management Limited	Cayman Islands	US\$100	Investment Holding Company	June 29, 2018
LeKun Warehousing (Wuxi) Co., Ltd (樂坤倉儲(無錫)有限公司)	PRC	US\$13,900,000	Project Company	November 5, 2014
ESR Asset Management (Holdings) Limited (formerly known as Propertylink (Holdings) Limited)	Australia	AUD94,400,326.76	Investment Holding Company	May 3, 2000
Propertylink Australian Industrial Partnership	Australia	AUD103,540,351.05	Investment Holding Trust	June 29, 2016
Propertylink Trust	Australia	AUD107,459,885.40	Investment Holding Trust	June 29, 2016
ESR Sachiura 3 TMK	Japan	JPY4,549,650,000	Asset Holding Company	January 11, 2019
ESR Sachiura 4 TMK	Japan	JPY4,679,750,000	Asset Holding Company	January 11, 2019

Notes:

- (1) Xinbin (Shanghai) Corporate Management Services Co., Ltd (新賓(上海)企業管理服務有限公司) was transferred by our Group to NCI Core Fund on February 22, 2019 and therefore is not one of our subsidiaries as of the Latest Practicable Date.
- (2) Tianjin Mingcheng Warehousing Co., Ltd. (天津明誠倉儲有限公司) was transferred by our Group to NCI Core Fund on March 20, 2019, and therefore is not one of our subsidiaries as of the Latest Practicable Date.
- (3) Hangzhou Mingpu Supply Chain Management Co., Ltd (杭州明浦供應鏈管理有限公司) was transferred by our Group to NCI Core Fund on January 22, 2019 and therefore is not one of our subsidiaries as of the Latest Practicable Date.
- (4) Wuhan Mingju Supply Chain Company Limited (武漢明聚供應鏈發展有限公司) was transferred by our Group to NCI Core Fund on April 18, 2019 and therefore is not one of our subsidiaries as of the Latest Practicable Date.
- (5) The registered capital of Shanghai Yurun Meat Food Co., Ltd (上海雨潤肉食品有限公司) was increased from RMB84,000,000 to RMB1,000,000,000 on November 27, 2018, and was subsequently reduced from RMB1,000,000,000 to RMB481,000,000 on May 9, 2019. On June 12, 2019, its registered capital was increased from RMB481,000,000 to RMB650,000,000.

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MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on June 14, 2011 with an authorized share capital of US\$50,000 divided into 50,000,000 ordinary shares with a par value of US\$0.001 each.

Following our establishment, we effected a series of capital reorganizations on June 30, 2011, following which the authorized share capital was increased to US\$216,000 and the ordinary shares in our authorized share capital were re-classified and re-designated into 118,800,000 Class A Shares and 97,200,000 Class B Shares. Further details of our Company's changes in the share capital can be found in the section headed "Statutory and General Information—A. Further information about our Group—2. Changes in the share capital of our Company" in Appendix VIII to this Prospectus.

As of July 4, 2011, our Company was held by three founding shareholders which were Laurels as to 275 Class A Shares (representing 27.5% interest in our Company), Elite Bond as to 275 Class A Shares (representing 27.5% interest in our Company) and WP OCIM as to 450 Class B Shares (representing 45.0% interest in our Company).

On May 26, 2014, our Company received an investment from APG-Stichting. Upon completion of this investment, our authorized capital was increased to US\$2,050,000 divided in to 600,000,000 Class A Shares, 1,000,000,000 Class B1 Shares, 50,000,000 Class B2 Shares and 400,000,000 Class B3 Shares, which were held by Laurels as to 190,063,207 Class A Shares (representing 12.1% interest in our Company), Elite Bond as to 190,063,207 Class A Shares (representing 12.1% interest in our Company), WP OCIM as to 876,250,989 Class B1 Shares (representing 55.7% interest in our Company) and APG-Stichting as to 316,567,534 Class B3 Shares (representing 20.1% interest in our Company).

At the beginning of the Track Record Period, we had an authorized capital of US\$2,650,000 divided in to 600,000,000 Class A Shares, 1,000,000,000 Class B1 Shares, 100,000,000 Class B2 Shares, 400,000,000 Class B3 Shares, 500,000,000 Class B4 Shares and 50,000,000 Class B5 Shares, which were held by Laurels as to 190,063,207 Class A Shares (representing 12.1% interest in our Company), Elite Bond as to 190,063,207 Class A Shares (representing 12.1% interest in our Company), WP OCIM as to 876,250,989 Class B1 Shares which (representing 55.7% interest in our Company) and APG-Stichting as to 316,567,534 Class B3 Shares (representing 20.1% interest in our Company).

On January 20, 2016, we allotted and issued 389,933,535 Class B4 Shares to the Redwood Investor, as part of the 2016 Merger. For further information see the paragraph headed "—Major Acquisitions and Mergers—e-Shang Redwood Merger" in this section above.

We have conducted eight rounds of pre-IPO financing resulting in an aggregate issuance of 355,857,177 Class B3 Shares, 261,930,955 Class B6 Shares, 70,721,358 Class B7 Shares, 240,578,861 Class B8 Shares, 26,363,847 Class B9 Shares and 245,359,810 Class C Preference Shares, further details of which are set out in the paragraph below headed "—Pre-IPO Investments" in this section.

On January 10, 2017, a portion of the Shares held by Luckfield Global Limited, one of our Pre-IPO Investors, being 9,814,392 Class C Preference Shares, were redeemed by our Company for a total amount of US\$11,439,200 (determined in accordance with the terms of the Class C Preference Shares).

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On August 18, 2017, Elite Bond transferred its entire remaining holding of 190,063,207 Class A Shares to WP OCIM, together with its entitlement under the Tier 1 ESOP, for a total consideration of US\$186,671,734 (determined with reference to the Company's fair market value at the time of transfer and duly paid in cash upon completion) pursuant to a share purchase agreement dated July 20, 2017.

On January 19, 2018, Goldman Sachs exercised all its warrants granted pursuant to warrant instruments dated January 9, 2014 (as amended and restated on August 27, 2015) and August 27, 2015, respectively, which were granted in Goldman Sachs' favor in consideration of the performance of its obligations under a facility agreement dated December 4, 2013 (as amended and restated on August 19, 2015) resulting in an issuance of 54,684,608 Class B2 Shares. The loan facility under such facility agreement was fully repaid.

In September 2018, Redwood Consulting exercised a portion of its options under the Tier 1 ESOP, pursuant to exercise option letters dated September 7, 2018 and September 14, 2018, respectively, and nominated that 13,838,797 Class B4 Shares and 18,633,334 Class B4 Shares be allotted to WP OCIM and SK, respectively, pursuant to sale and purchase agreements dated September 7, 2018 and September 14, 2018, respectively. The consideration paid to our Company was US\$18,959,152 and US\$25,527,668 by WP OCIM and SK, respectively, and was determined with reference to the exercise price of US\$0.46 per Share as set out in the Tier 1 ESOP and duly settled in cash on September 10, 2018 and September 20, 2018 by WP OCIM and SK, respectively.

On September 21, 2018, APG-Stichting transferred 41,257,634 and 55,975,003 Class B3 Shares to WP OCIM and SK, respectively, in return for US\$56,522,959 and US\$76,685,754 from WP OCIM and SK, respectively, determined with reference to the Company's fair market value at the time of transfer, and duly settled in cash on the date of the transfers.

Pursuant to the terms of the Pre-IPO Shareholders' Agreement, (a) each of CMBC International Holdings Limited, SF Project (Cayman) Limited and Mercury Beta Investment Limited has elected to redeem all of its Class C Preference Shares on September 18, 2019; (b) Luckfield Global Limited has (i) elected to convert 32,714,642 Class C Preference Shares to Class C Shares on September 18, 2019; and (ii) agreed to extend the date for conversion or redemption of the remaining 16,357,320 Class C Preference Shares from September 18, 2019 to March 18, 2020; and (c) each of Bohai Investment Holding Limited and Emerald Ewood (Cayman) Limited has agreed to extend the date for conversion or redemption of its Class C Preference Shares to March 18, 2020.

Since our Company's incorporation and subsequent to each of the Pre-IPO financing rounds, we effected further changes to our authorized share capital, further information on which is set out in the section headed "Statutory and General Information—A. Further information about our Group—2. Changes in the share capital of our Company" in Appendix VIII to this Prospectus.

Pursuant to the terms of the Pre-IPO Shareholders' Agreement, subject to the Global Offering becoming unconditional, all the issued Class C Preference Shares may either be converted to Class C Shares or redeemed upon the Global Offering becoming unconditional ("**Share Conversion**"). After this change is effected, the Company will have no Class C Preference Shares in issue. The holders of the Class C Preference Shares have each exercised their redemption right, except (a) Emerald Ewood (Cayman) Limited, which has elected to redeem 50% of its shareholding and convert the remaining 50% of its shareholding to Class C Shares; and (b) Luckfield Global Limited, which has elected to redeem 16,357,320 Class C Preference Share and convert 32,714,642 Class C Preference Shares to Class C Shares (both in accordance with the Pre-IPO Shareholders' Agreement).

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Pursuant to the terms of the IPO Implementation Deed, subject to the Global Offering becoming unconditional, all the issued, unissued and authorized Class A Shares, Class B Shares and Class C Shares will be reclassified and re-designated as ordinary Shares immediately following the Share Conversion. Immediately after these changes are effected, the authorized share capital of the Company shall be US\$4,400,000 divided into 4,400,000,000 Shares of US\$0.001 par value each, and the issued share capital shall be 2,756,749,189 Shares of US\$0.001 par value each. For further details of the IPO Implementation Deed, please refer to the paragraph headed “—IPO Implementation Arrangements” in this section of the Prospectus.

EMPLOYEE SHARE OPTION PLANS

KM ESOP

The KM ESOP was adopted by our Board on November 24, 2017. As of the Latest Practicable Date, the current number of options granted to 163 grantees of the KM ESOP, allow for the aggregate subscription of 63,558,343 Shares, representing approximately 2.09% of the share capital of our Company immediately following the completion of the Global Offering, assuming that the Offer Size Adjustment Option has not been exercised. No additional options will be granted under the KM ESOP. For further information, a summary of the principal terms of the KM ESOP is set out in the section headed “Statutory and General Information—D. KM ESOP, Tier 1 ESOP and Post-IPO Share Option Scheme—1. KM ESOP” in Appendix VIII to this Prospectus.

ESOP Shareholders have entered into arrangements with our Company under which the ESOP Shareholders agreed to transfer an aggregate of up to 15,246,949 Class A and/or Class B1 Shares to our Company, or make cash payments, upon exercise of certain options over shares in our Company (the “**ESOP Options**”) by the relevant participants under the KM ESOP. Pursuant to the IPO Implementation Deed, these arrangements will be terminated on the date of Listing in consideration of an adjustment to the number of Shares that Laurels is issued upon exercise of certain vested and unexercised options under the Tier 1 ESOP, certain cash payments from our Company to Laurels and WP OCIM and cancellation of certain vested and unexercised options under the Tier 1 ESOP held by WP OCIM (the “**ESOP Unwind**”). Our Company will, after Listing, make cash payments to the ESOP Shareholders based on the then market value of the Shares if any ESOP Options expire or lapse on or after the Listing Date. For further details of the IPO Implementation Deed, please see the paragraph headed “—IPO Implementation Arrangements” in this section below.

Tier 1 ESOP

The Tier 1 ESOP was adopted by our Board pursuant to a shareholders’ agreement dated November 3, 2015. As of the Latest Practicable Date, each of WP OCIM and Laurels hold unexercised options to subscribe for a total of 15,800,325 Shares each and Redwood Consulting holds unexercised options to subscribe for a total of 35,995,945 Shares, representing in aggregate approximately 2.23% of the share capital of our Company immediately following the completion of the Global Offering, assuming that the Offer Size Adjustment Option has not been exercised. Under the terms of the IPO Implementation Deed, the Company and the holders of the Tier 1 ESOP have agreed: (i) not to exercise any vested options under the Tier 1 ESOP until the Listing Date; and (ii) to exercise or cancel all the vested and unexercised options under the Tier 1 ESOP on the Listing Date on a cashless basis based on the Offer Price, such that the option holders will not be required to make payment of the strike price of the options being exercised save for the nominal value of such Shares (the “**Strike Amount**”) and instead, the number of Shares to be issued on such exercise will be reduced by an amount whose value

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would equal the Strike Amount (the “**Tier 1 Exercise**”). For further information, a summary of the principal terms of the Tier 1 ESOP is set out in the section headed “Statutory and General Information—D. KM ESOP, Tier 1 ESOP and Post-IPO Share Option Scheme—2. Tier 1 ESOP” in Appendix VIII to this Prospectus.

As a result of the Tier 1 Exercise and taking into account agreements related to the ESOP Unwind and the Incentivization Unwind, Laurels and Redwood Consulting will be issued 3,450,861 Shares and 15,001,945 Shares, respectively, on the Listing Date, assuming the Offer Price is determined to be HK\$16.80, the mid-point of the Offer Price range and the Listing Date is determined to be Friday, November 1, 2019.

CAPITALIZATION OF THE COMPANY

The following table sets out the shareholding structure on the date of this Prospectus immediately prior to completion of the Global Offering and upon completion of the Global Offering:

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
Shareholders ⁽¹⁾	Aggregate total number of shares of par value US\$0.001 each as of the date of this Prospectus ⁽²⁾	Aggregate ownership percentage as of the date of this Prospectus ⁽²⁾	Aggregate total number of shares of par value US\$0.001 each as of immediately prior to the Global Offering	Aggregate ownership percentage as of immediately prior to the Global Offering	Aggregate total number of Shares each upon completion of the Global Offering (assuming the Over-allotment Option and the Offer Size Adjustment Option are not exercised)	Aggregate ownership percentage upon completion of the Global Offering (assuming the Over-allotment Option and the Offer Size Adjustment Option are not exercised)	Aggregate ownership percentage upon completion of the Global Offering (assuming full exercise of the Over-allotment Option but the Offer Size Adjustment Option is not exercised)	Aggregate ownership percentage upon completion of the Global Offering (assuming full exercise of the Over-allotment Option and the Offer Size Adjustment Option)
Laurels	190,063,207	6.76%	281,858,789 ⁽³⁾ , ⁽⁴⁾	10.23%	281,858,789	9.28%	9.28%	9.28%
WP OCIM ⁽⁷⁾	1,121,410,627	39.89%	1,033,065,906 ⁽³⁾ , ⁽⁴⁾	37.48%	732,592,930	24.13%	21.21%	17.85%
Goldman Sachs ⁽⁸⁾	54,684,608	1.94%	54,684,608	1.98%	40,153,449	1.32%	1.18%	1.02%
APG-Stichting	219,334,897	7.80%	219,334,897	7.96%	211,057,897	6.95%	6.95%	6.95%
General Electric Pension Trust ⁽⁹⁾	39,289,643	1.40%	39,289,643	1.43%	28,849,337	0.95%	0.85%	0.73%
Redwood Entities	389,933,535	13.87%	404,935,480 ⁽⁴⁾	14.69%	404,935,480	13.34%	13.34%	13.34%
SK	336,539,292	11.97%	336,539,292	12.21%	336,539,292	11.08%	11.08%	11.08%
StepStone	70,721,358	2.52%	70,721,358	2.57%	70,721,358	2.33%	2.33%	2.33%
Bohai Investment Holding Limited	40,893,302 ⁽⁵⁾	1.45%	— ⁽⁶⁾	—	—	—	—	—
Emerald Ewood (Cayman) Limited	32,714,641 ⁽⁵⁾	1.16%	16,357,320 ⁽⁵⁾	0.59%	8,178,660	0.27%	0.27%	0.27%
Luckfield Global Limited	49,071,962 ⁽⁵⁾	1.75%	32,714,642 ⁽⁶⁾	1.19%	16,357,321	0.54%	0.54%	0.54%
CMBC International Holdings Limited	— ⁽⁵⁾	—	—	—	—	—	—	—
SF Project (Cayman) Limited	— ⁽⁵⁾	—	—	—	—	—	—	—
Mercury Beta Investment Limited	— ⁽⁵⁾	—	—	—	—	—	—	—
Jingdong Logistics Group Corporation	240,578,861	8.56%	240,578,861	8.73%	232,301,861	7.65%	7.65%	7.65%
Montsoreau Investment Limited ⁽¹⁰⁾	26,363,847	0.94%	26,363,847	0.96%	19,358,269	0.64%	0.57%	0.49%
Public Shareholders	—	0.00%	—	0.00%	653,680,000	21.53%	24.76%	28.47%
TOTAL	2,811,599,780	100.00%	2,756,444,643	100.00%	3,036,584,643	100.00%	100.00%	100.00%

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Notes:

- (1) For further information on our Shareholders, please refer to the paragraph headed “—Information about the Principal Pre-IPO Investors” in this section below.
- (2) As at the date of this Prospectus, the share capital of the Company is divided into 12 different classes of Shares, namely the Class A Shares, the Class B1 Shares, the Class B2 Shares, the Class B3 Shares, the Class B4 Shares, the Class B5 Shares, the Class B6 Shares, the Class B7 Shares, the Class B8 Shares, the Class B9 Shares, the Class C Shares and the Class C Preference Shares. Each class of Share has the same rights, with the exception of Class B5 Shares, which have no voting rights, no pre-emption rights or any other rights conferred in the Existing Articles (unless determined by special resolution) and of which there are none currently in issue, and the Class C Preference Shares, which rank ahead of all the other Shares and have additional rights including the conversion of the Class C Preference Shares to Class C Shares. Pursuant to the terms of the IPO Implementation Deed, each of the shares in issue will be reclassified and re-designated into one Share, conditional upon and subject to the completion of the Global Offering.
- (3) As a result of the unwind of arrangements entered into to incentivize Mr. Jinchu Shen, being (i) promote arrangements which have been in place since WP OCIM co-founded e-Shang and (ii) certain share participation arrangements and taking into account agreements related to the ESOP Unwind and the Tier 1 Exercise, WP OCIM will transfer 85,445,178 Shares to Laurels, on the Listing Date, assuming the Offer Price is determined to be HK\$16.80, the mid-point of the Offer Price range and the Listing Date is determined to be Friday, November 1, 2019. For further details please refer to the paragraph headed “—IPO Implementation Arrangements” below in this section.
- (4) As a result of the Tier 1 Exercise and taking into account agreements related to the ESOP Unwind and the Incentivization Unwind, Laurels and Redwood Consulting will be issued 3,450,861 Shares and 15,001,945 Shares, respectively, on the Listing Date, assuming the Offer Price is determined to be HK\$16.80, the mid-point of the Offer Price range and the Listing Date is determined to be Friday, November 1, 2019. For further details of the Tier 1 Exercise, please refer to the paragraph headed “—Employee share option plans—Tier 1 ESOP” above in this section.
- (5) Pursuant to the terms of the Pre-IPO Shareholders’ Agreement, (a) each of CMBC International Holdings Limited, SF Project (Cayman) Limited and Mercury Beta Investment Limited has elected to redeem all of its Class C Preference Shares on September 18, 2019; (b) Luckfield Global Limited has (i) elected to convert 32,714,642 Class C Preference Shares to Class C Shares on September 18, 2019; and (ii) agreed to extend the date for conversion or redemption of the remaining 16,357,320 Class C Preference Shares from September 18, 2019 to March 18, 2020; and (c) each of Bohai Investment Holding Limited and Emerald Ewood (Cayman) Limited has agreed to extend the date for conversion or redemption of its Class C Preference Shares to March 18, 2020.
- (6) Pursuant to the terms of the Pre-IPO Shareholders’ Agreement, these Shareholders, being the holders of the Class C Preference Shares, have each exercised their redemption right, except (a) Emerald Ewood (Cayman) Limited, which has elected to redeem 50% of its shareholding and convert the remaining 50% of its shareholding to Class C Shares; and (b) Luckfield Global Limited, which has elected to redeem 16,357,320 Class C Preference Shares and convert 32,714,642 Class C Preference Shares to Class C Shares. For further details, please refer to the paragraph headed “—Major shareholding changes of our Company” above in this section.
- (7) If Luckfield Global Limited is not a Selling Shareholder, the respective numbers of Shares or ownership percentages for each of columns (e) to (h) in the table above will be 717,808,954 Shares, 23.64%, 20.72% and 17.36%, respectively.
- (8) If Luckfield Global Limited is not a Selling Shareholder, the respective numbers of Shares or ownership percentages for each of columns (e) to (h) in the table above will be 39,438,482 Shares, 1.30%, 1.16% and 1.00%, respectively.
- (9) If Luckfield Global Limited is not a Selling Shareholder, the respective numbers of Shares or ownership percentages for each of columns (e) to (h) in the table above will be 28,335,649 Shares, 0.93%, 0.83% and 0.72%, respectively.
- (10) If Luckfield Global Limited is not a Selling Shareholder, the respective numbers of Shares or ownership percentages for each of columns (e) to (h) in the table above will be 19,013,579 Shares, 0.63%, 0.56% and 0.48%, respectively.

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PRE-IPO INVESTMENTS

Background of the Pre-IPO Investors

We have received eight rounds of investment since our establishment. We granted warrants to Goldman Sachs entitling Goldman Sachs to certain shares at a nominal value as part and parcel of, and in consideration of the performance by Goldman Sachs of its obligations under a facility agreement. Other details of our Pre-IPO Investments are as follows.

	Date of initial share subscription agreement	Name of Shareholder(s)	Date of last payment of consideration	Total number of shares under the share subscription agreement(s)	Cost per share paid ⁽¹⁾	Total funds raised by the Company	Discount to the Offer Price ⁽²⁾	Valuation of our Company as of the date of initial share subscription agreement ⁽³⁾
1.	January 9, 2014 ⁽⁴⁾	Goldman Sachs	January 19, 2018 ⁽⁴⁾	54,684,608 Class B2 Shares	US\$0.0013 per Class B2 Share ⁽⁴⁾	US\$70,000 ⁽⁴⁾	99.99%	n/a ⁽⁴⁾
2.	May 26, 2014	APG-Stichting	May 27, 2014	316,567,534 Class B3 Shares	US\$0.5054 per Class B3 Share	US\$160,000,000	76.4%	US\$0.79 billion
3.	December 23, 2016	Chinese Institutional Investors ⁽⁵⁾	January 4, 2017	245,359,810 Class C Preference Shares	US\$1.2227 per Class C Preference Share	US\$300,000,000	42.9%	US\$2.89 billion
4.	July 31, 2017	SK ⁽⁶⁾	August 3, 2017	261,930,955 Class B6 Shares	US\$1.2726 per Class B6 Share	US\$333,333,333	40.5%	US\$3.40 billion
5.	November 29, 2017	StepStone	November 28, 2017	70,721,358 Class B7 Shares	US\$1.2726 per Class B7 Share	US\$90,000,000	40.5%	US\$3.49 billion
6.	November 29, 2017	General Electric Pension Trust	November 29, 2017	39,289,643 Class B3 Shares	US\$1.2726 per Class B3 Share	US\$50,000,000	40.5%	US\$3.54 billion
7.	April 24, 2018	Jingdong Logistics Group Corporation	May 10, 2018	240,578,861 Class B8 Shares	US\$1.5169 per Class B8 Share	US\$306,160,659 ⁽⁷⁾	29.1%	US\$4.58 billion
8.	May 28, 2018	Montsoreau Investment Limited	June 15, 2018	26,363,847 Class B9 Shares	US\$1.5172 per Class B9 Share	US\$40,000,000	29.1%	US\$4.63 billion

Notes:

- (1) Not adjusted to reflect subsequent share splits and other capital reorganizations, as applicable.
- (2) The discount to the Offer Price is calculated on the assumption that the Offer Price is HK\$16.80 per Share, being the mid-point of the indicative Offer Price range of HK\$16.20 to HK\$17.40.
- (3) This refers to the post-money valuation of our Company, being the sum of the pre-money valuation and the amount of new equity.
- (4) We granted warrants to Goldman Sachs entitling Goldman Sachs to certain shares at nominal value as part and parcel of, and in consideration of the performance by Goldman Sachs of its obligations under a facility agreement dated December 4, 2013 (as amended and restated on August 19, 2015) which has been fully repaid. Such warrants were granted pursuant to the warrant instruments dated January 9, 2014 (as amended and restated on August 27, 2015) and August 27, 2015, respectively. Such warrants were exercised in full on January 19, 2018 for the subscription of a total of 54,684,608 Class B2 Shares. For further details, see the paragraph headed “—Major Shareholding Changes of our Company” in this section above. Since the warrants were granted pursuant to the warrant instruments as part and parcel of, and in consideration of the performance by Goldman Sachs of its obligations under the facility agreement, the consideration of the warrants was not determined with reference to the valuation of our Company, but the nominal value of our Shares instead.
- (5) For further details of the Chinese Institutional Investors, please refer to the paragraph headed “—Information about the Principal Pre-IPO Investors—Chinese Institutional Investors” in this section below.
- (6) On September 14, 2018 and September 21, 2018, SK entered into sale and purchase agreements to purchase 18,633,334 Class B4 Shares and 55,975,003 Class B3 Shares from Redwood Consulting and APG-Stichting, respectively. See paragraph headed “—Major Shareholding Changes of our Company” in this section above for further details.
- (7) Part of the consideration was satisfied by contributions and/or commitments made by Jingdong Logistics Group Corporation under strategic business cooperation arrangements with our Company.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Principal terms of the Pre-IPO Investments

Use of proceeds from the Pre-IPO Investments	We utilized all of the proceeds from the Pre-IPO Investments for the development and operation of our business.
Strategic benefits the Pre-IPO Investors brought to our Company	At the time of the Pre-IPO Investments, our Directors were of the view that our Company would benefit from the additional capital provided by the Pre-IPO Investors' investments in our Company and their knowledge and experience.
Basis of determination of consideration paid	The consideration for the Pre-IPO Investments was determined based on arm's length negotiations between our Company and the Pre-IPO Investors after taking into consideration the timing of the investments and the status of our business and operating entities.
Dividends	For so long as the Class C Preference Shares remain in issue, the holders of Class C Preference Shares are entitled to a fixed, cumulative, preferential and cash dividend.
Conversion and Redemption	Upon the occurrence of certain events, such as a proposed initial public offering or liquidation of our Company and certain defaults under or amendments to the financing documents of our Company but in no event later than September 18, 2019 (which has been further extended to March 18, 2020 by each of Luckfield Global Limited, Bohai Investment Holding Limited and Emerald Ewood (Cayman) Limited), the holders of Class C Preference Shares will have the right to convert their Class C Preference Shares into Class C Shares on a 1:1 basis or have their Class C Preference Shares redeemed by our Company at a price (which when combined with any previous distributions on the Class C Preference Shares) would result in such holders of Class C Preference Shares receiving an aggregate internal rate of return as agreed in the Pre-IPO Shareholders' Agreement on the subscription price of such Class C Preference shares at the relevant date calculated in USD after deduction of certain taxes.
Number of Class C Shares to be issued assuming all holders of Class C Preference Shares (as at the date when the Class C Preference Shares were allotted) elect to have their Class C Preference Shares converted	245,359,810 ^(note)
Direct shareholding in our Company by the holders of Class C Preference Shares assuming all holders of Class C Preference Shares (as at the date when the Class C Preference Shares were allotted) elect to have their Class C Preference Shares converted and based on the share capital of our Company immediately prior to the completion of the Global Offering	Approximately 8.9%

Note:

As of the Latest Practicable Date, 89,965,263 Class C Preference Shares were in issue as (i) 32,714,642 Class C Preference Shares have been converted to Class C Shares, and (ii) 122,679,905 Class C Preference Shares have been redeemed. Those outstanding Class C Preference Shares will either be redeemed or converted. For further details, please refer to the paragraph "—Capitalization of the Company" above and the section headed "Share Capital" in this Prospectus.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Special rights of the Pre-IPO Investors

All of our Pre-IPO Investors are currently bound by the terms of the Pre-IPO Shareholders' Agreement and the Company is bound by the Existing Articles, which will be replaced by our Articles effective upon Completion of the Global Offering. Under the Pre-IPO Shareholders' Agreement, certain of the Pre-IPO Investors were granted certain special rights in relation to our Company dependent, in some cases, on their percentage ownership in our Company. This included, among others, customary rights of first refusal to participate in future funding rounds, information rights, board nomination right and veto rights. The Pre-IPO Shareholders' Agreement and such special rights will terminate subject to and effective upon completion of the Global Offering in accordance with the terms of the IPO Implementation Deed.

Public Float

Upon the completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), the Shares held by certain of our shareholders who are a substantial shareholder (in the case of WP OCIM) or are indirectly controlled by our core connected persons, will not be counted towards the public float. Details of these Shareholders and their controllers are set out below:

- WP OCIM will hold approximately 24.1% (if Luckfield Global Limited is a Selling Shareholder) or 23.6% (if Luckfield Global Limited is not a Selling Shareholder) of the total issued Shares;
- Redwood Entities, ultimately owned by two of our executive Directors, Mr. Charles Alexander Portes and Mr. Stuart Gibson, will hold approximately 13.3% of the total issued Shares;
- Laurels, will hold approximately 9.3% of the total issued Shares. Laurels is wholly owned by The Shen Trust, the sole beneficiary of which is an associate of our executive Director, Mr. Jinchu Shen; and
- SK will hold approximately 11.1% of the total issued Shares.

Save as provided above, upon completion of the Global Offering (assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised), the remaining Pre-IPO Investors will collectively hold 626,978,152 Shares, or approximately 20.6% of the issued share capital of the Company.

Save as disclosed above, no other Pre-IPO Investor is a substantial shareholder or a core connected person of our Company, as defined in the Listing Rules. Therefore, the Shares held by the remaining Pre-IPO Investors will count towards the public float.

Information about the principal Pre-IPO Investors

Set out below is a description of the Pre-IPO Investors that are sophisticated investors, being private equity funds and investment companies, and that have made meaningful investments in our Company (each holding between 0.94% to 11.97% of the total issued and outstanding shares as of the date of this Prospectus, further information of which is set out in the paragraph headed “—Capitalization of the Company” above in this section).

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

APG-Stichting

APG-Stichting is a Dutch foundation (*stichting*) acting in its capacity as depository of APG Strategic Real Estate Pool, which is formed for the purpose of collective investments by its participants, all being Dutch pension funds. As a “pool”, APG Strategic Real Estate Pool is established as a fund for joint account (*fonds voor gemene rekening*) under Dutch laws. It is not a legal entity but a contractual arrangement between APG-Stichting as its depository, APG-AM as its manager, and its participants which invest in it through subscribing an interest in it.

APG-AM is wholly-owned by APG Groep N.V., which itself is owned by Stichting Pensioenfonds ABP, as to approximately 92.16% and Stichting Bedrijfstakpensioenfonds voor de Bouwnijverheid as to approximately 7.84%.

As at October 1, 2019, Stichting Pensioenfonds ABP has an approximately 96.8% interest in APG Strategic Real Estate Pool, and the remaining approximately 3.2% interest in APG Strategic Real Estate Pool is held by other Dutch pension fund participants. As of the date of this Prospectus, APG-Stichting holds approximately 7.80% of the total issued and outstanding shares.

Chinese Institutional Investors

CMBC International Holdings Limited is a limited liability company incorporated in Hong Kong. CMBC International Holdings Limited is ultimately controlled by China Minsheng Banking Corp. Ltd., a commercial bank listed on the Hong Kong Stock Exchange (Stock Code: 1988) and on the Shanghai Stock Exchange (Stock Code: 600016). CMBC International Holdings Limited elected to redeem all of its 31,078,909 Class C Preference Shares on September 18, 2019 pursuant to the terms of the Pre-IPO Shareholders’ Agreement, and therefore it holds no issued or outstanding shares as of the date of this Prospectus.

Mercury Beta Investment Limited is a business company incorporated under the laws of BVI limited by shares. Mercury Beta Investment Limited is ultimately controlled by China Huarong Asset Management Co., Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 2799). Mercury Beta Investment Limited elected to redeem all of its 40,893,302 Class C Preference Shares on September 18, 2019 pursuant to the terms of the Pre-IPO Shareholders’ Agreement, and therefore it holds no issued or outstanding shares as of the date of this Prospectus.

Bohai Investment Holding Limited is a business company incorporated under the laws of BVI. Bohai Investment Holding Limited is ultimately controlled by China Huarong Asset Management Co., Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 2799). As of the date of this Prospectus, Bohai Investment Holding Limited holds approximately 1.45% of the total issued and outstanding shares.

SF Project (Cayman) Limited is an exempted limited liability company incorporated in the Cayman Islands. SF Project (Cayman) Limited is ultimately controlled by GF Securities Co., Ltd., a company listed on the Hong Kong Stock Exchange (Stock Code: 1776) and on the Shenzhen Stock Exchange (Stock Code: 000776). SF Project (Cayman) Limited elected to redeem all of its 40,893,302 Class C Preference Shares on September 18, 2019 pursuant to the terms of the Pre-IPO Shareholders’ Agreement, and therefore it holds no issued or outstanding shares as of the date of this Prospectus.

Emerald Ewood (Cayman) Limited is a limited liability company incorporated in the Cayman Islands. Emerald Ewood (Cayman) Limited is ultimately owned by Shanghai Pudong Development

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Bank Co. Ltd, a joint-stock commercial bank on the Shanghai Stock Exchange (Stock Code: 600000). As of the date of this Prospectus, Emerald Ewood (Cayman) Limited holds approximately 1.16% of the total issued and outstanding shares.

China Everbright is a limited liability company incorporated in Hong Kong. China Everbright is ultimately controlled by Everbright Securities Company Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 6178) and on the Shanghai Stock Exchange (Stock Code: 601788). On August 16, 2019, China Everbright transferred 32,714,641 Class C Preference Shares at a consideration of US\$44,746,624 to Luckfield Global Limited, a company incorporated under the laws of the BVI which engages in the business of investment holding and a subsidiary of China Everbright Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 0165). Luckfield Global Limited redeemed 9,814,392 Class C Preference Shares on January 10, 2017 and has elected to convert 32,714,642 Class C Preference Shares to Class C Shares on September 18, 2019 pursuant to the terms of the Pre-IPO Shareholders' Agreement. As of the date of this Prospectus, China Everbright holds no issued or outstanding shares while Luckfield Global Limited holds approximately 1.75% of the total issued and outstanding shares.

SK

SK is a company incorporated in South Korea. SK is a public listed company, whose shares are listed on the Korea Stock Exchange (Stock Code: KRX 034730). SK and its subsidiaries are engaged in the business of energy, telecommunications and semi-conductors. As of the date of this Prospectus, SK holds approximately 11.97% of the total issued and outstanding shares.

StepStone

StepStone A Opportunities Fund, L.P., an exempted limited liability partnership registered in the Cayman Islands and whose general partner is StepStone A (GP), LLC, StepStone Rivas Private Equity Fund, L.P., an exempted limited liability partnership registered in the Cayman Islands and whose general partner is StepStone Rivas (GP), LLC, StepStone H Opportunities Fund, L.P., an exempted limited liability partnership registered in the Cayman Islands and whose general partner is StepStone H (GP), LLC, StepStone AMP Opportunities Fund, L.P. a limited partnership with designated series formed in the State of Delaware in the U.S. and whose general partner is StepStone AMP (GP), LLC, and StepStone FSS Opportunities Fund, L.P., a limited partnership with designated series formed in the State of Delaware in the U.S. and whose general partner is StepStone FSS (GP), LLC, and are each ultimately advised by StepStone Group L.P.. As of the date of this Prospectus, StepStone collectively hold approximately 2.52% of the total issued and outstanding shares.

General Electric Pension Trust

General Electric Pension Trust is a New York common law trust which is acting by and through its investment manager SSGA Funds Management, Inc. SSGA Funds Management, Inc. is an indirect wholly owned subsidiary of State Street Corporation, a company listed on the New York Stock Exchange (Stock Code: STT), whose principal business is providing financial services globally. As of the date of this Prospectus, General Electric Pension Trust holds approximately 1.40% of the total issued and outstanding shares.

Goldman Sachs

Goldman Sachs is a company incorporated in Mauritius. Goldman Sachs is a wholly owned subsidiary of Asia Investing Holdings Pte. Ltd. and ultimately controlled by The Goldman Sachs

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Group Inc. As of the date of this Prospectus, Goldman Sachs holds approximately 1.94% of the total issued and outstanding shares.

Jingdong Logistics Group Corporation

Jingdong Logistics Group Corporation is an exempted company incorporated under the laws of the Cayman Islands. Jingdong Logistics Group Corporation is an indirect wholly-owned subsidiary of JD.com, Inc., JD.com is China's leading technology driven e-commerce company and retail infrastructure service provider. As of the date of this Prospectus, Jingdong Logistics Group Corporation holds approximately 8.56% of the total issued and outstanding shares.

Montsoreau Investment Limited

Montsoreau Investment Limited is an investment company incorporated under the laws of BVI. Montsoreau Investment Limited is wholly owned by CSOBOR Fund, a private equity investment fund of CLSA that capitalizes on Belt and Road investment opportunities in the consumer products and services, technology, media, telecommunication and infrastructure industries. CLSA is the international platform of CITIC Securities Company Limited, a leading brokerage and investment bank in the PRC listed on the Hong Kong Stock Exchange (Stock Code: 6030) and on the Shanghai Stock Exchange (Stock Code: 600030). As of the date of this Prospectus, Montsoreau Investment Limited holds approximately 0.94% of the total issued and outstanding shares.

COMPLIANCE WITH INTERIM GUIDANCE AND GUIDANCE LETTERS

The Joint Sponsors confirm that the Pre-IPO Investments are in compliance with Guidance Letter HKEX-GL29-12 issued by the Stock Exchange in January 2012 and updated in March 2017, Guidance Letter HKEX-G43-12 issued by the Stock Exchange in October 2012 and updated in July 2013 and March 2017 and Guidance Letter HKEX-44-12 issued by the Stock Exchange in October 2012 and updated in March 2017.

IPO IMPLEMENTATION ARRANGEMENTS

In preparation for the Global Offering, the Shareholders, Mr. Jinchu Shen and our Company have entered into the IPO Implementation Deed which provides, among other things that:

- upon the Global Offering becoming unconditional the Share Conversion and the Share Redesignation (as described in further detail under the paragraph headed “—Major Shareholding Changes of our Company” in this section) shall be implemented, the Pre-IPO Shareholders' Agreement shall be terminated and the memorandum and articles of association of our Company shall be amended and restated;
- commit all Selling Shareholders to the number of Shares they will sell in the Global Offering;
- commit all existing Shareholders who are not Selling Shareholders to enter into lock-up agreements on market standard terms in respect of their Shares;
- upon the Global Offering becoming unconditional the ESOP Unwind (as described in further detail under the paragraph headed “—Employee Share Option Plans— KM ESOP” in this section) shall be implemented; and

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

- upon the Global Offering becoming unconditional the Tier 1 Exercise (as described in further detail under the paragraph headed “—Employee Share Option Plans— KM ESOP” in this section) shall be implemented.

In addition, Laurels, WP OCIM and Mr. Jinchu Shen have entered into separate arrangements which implement the unwind of certain arrangements being (i) promote arrangements which have been in place since WP OCIM co-founded e-Shang and (ii) certain share participation arrangements, through a cash payment from WP OCIM to Laurels and a transfer of Shares from WP OCIM to Laurels as set out below. Under these arrangements, WP OCIM agreed to transfer Class A Shares, Class B1 Shares, options over shares and/or make cash payments to Laurels upon, among other events, an initial public offering of the Company, in an amount to be determined based on the market price of the shares. Assuming that the Offer Price is determined to be HK\$16.80, the mid-point of the Offer Price range and the Listing Date is determined to be Friday, November 1, 2019, on the Listing Date and taking into account agreements related to the ESOP Unwind and the Tier 1 Exercise, WP OCIM will transfer 85,445,178 Shares to Laurels (the “**Incentivization Unwind**”).

CORPORATE STRUCTURE AS OF THE DATE OF THIS PROSPECTUS

The diagram illustrates the corporate structure of ESR Cayman Limited, showing its ownership and investments in various entities across different regions.

ESR Cayman Limited is the central entity, with the following ownership and investments:

- Ownership:**
 - Redwood Investor (13.87%)
 - Redwood Investor (Cayman) Ltd (100%)
 - Kurama Holdings, LLC (38%)
 - Mr. Charles Alexander Pories (50%)
 - Mr. Stuart Gibson (50%)
 - WP OCIM (38.89%)
 - APG-Siching (7.80%)
 - Laurels (6.76%)
 - Jingdong Logistics Group Corporation (8.56%)
 - Bohai Investment Holding Limited (1.45%)
 - Emerald Ewood Limited (1.16%)
 - Monseieu Investment Limited (0.94%)
 - General Electric Pension Trust (1.40%)
 - Goldman Sachs Investment Holding (Asia) Limited (1.94%)
 - Investments:**
 - ESR Pre. Ltd (Singapore) (95.5% ⁽¹⁾)
 - ESR Singapore Pre. Ltd (Singapore) (100%)
 - ESR LTD (Japan) (100%)
 - ESR Asset Management (Australia) (96.5% ⁽²⁾)
 - Propertylink Australia Partnership (Australia) (96.5% ⁽³⁾)
 - Propertylink Australia Partnership (Australia) (96.5% ⁽⁴⁾)
 - ESR Property Management (S) Pte. Ltd. (Singapore) (100%)
 - ESR Funds Management (S) Limited (Singapore) (67.3% ⁽⁵⁾)
 - ESR Singapore Pre. Ltd (Singapore) (100%)
 - ESR LTD (Japan) (100%)
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 - ESR Asset Management (Australia) (96.5% ^{(2)</}

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

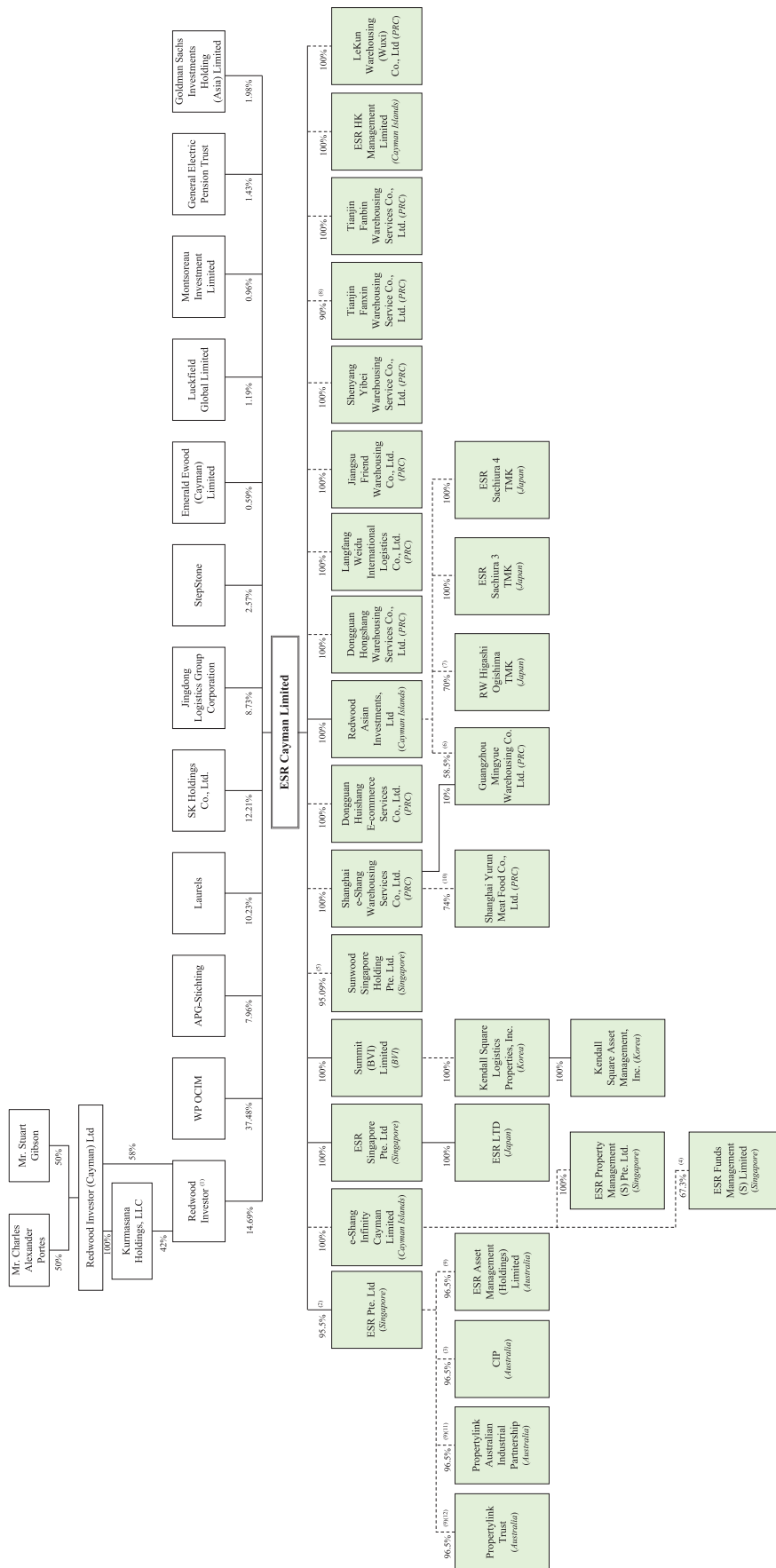
Notes:

- Direct ownership
- - Indirect ownership

- * The above corporate structure chart is prepared on the assumption that the (a) Luckfield Global Limited has partially converted its Class C Preference Shares into Class C Shares on September 18, 2019; and (b) Class C Preference Shares of each of CMBC International Holdings Limited, SF Project (Cayman) Limited and Mercury Beta Investment Limited have been fully redeemed on September 18, 2019.
- (1) The remaining 4.5% equity interest in ESR Pte. Ltd is held by Rosewood (Cayman) Holdings, the ultimate beneficial owner of which is a director of certain subsidiaries of our Group.
 - (2) CIP is wholly owned by ESR Developments (Australia) Pty Ltd, which in turn is wholly owned by ESR Australia, which in turn is held as to approximately 99.99% equity interest by ESR Australia Holding Company Pte. Ltd and as to approximately 0.01% equity interest by Mr. Philip Pearce, a director of ESR Pte. Ltd. (one of our Major Subsidiaries) and other subsidiaries in our Group. ESR Australia Holding Company Pte. Ltd is held as to 96.5% equity interest by ESR Pte Ltd, another Major Subsidiary. The remaining 3.5% equity interest in ESR Australia Holding Company Pte. Ltd is held by Skunsh Pty Ltd, as trustee for the McKenna Investment Trust, as to 2.6% and Maxmont Pty Ltd, as trustee for the Lynch-Grant Investment Trust, as to 0.9%, the ultimate beneficial owner of each of these entities are either current or former directors of certain subsidiaries of our Group.
 - (3) The remaining 32.7% equity interest in ESR Funds Management (S) Limited is held by Mitsui & Co Ltd, an independent third party to our Group, as to 7.7%, save for its interest in ESR Funds Management (S) Limited and SSPL as to 25.0%.
 - (4) The remaining 4.9% equity interest in Sunwood Singapore Holding Pte. Ltd. is held by Mr. Thomas Nam as to 2.9%, CEO of ESR Korea, and by Mr. Jihun Kang as to 2.0%, CIO of ESR Korea.
 - (5) Guangzhou Mingyue Warehousing Co., Ltd (廣州市銘月倉儲有限公司) is held as to 90.0% equity interest by Mingyue Logistics Pte Ltd, an indirect subsidiary of our Company, which in turn is held as to 65.0% equity interest by Redwood Phoenix China Investment Fund Pte Ltd, an indirect subsidiary of our Company. The remaining 10.0% equity interest in Guangzhou Mingyue Warehousing Co., Ltd (廣州市銘月倉儲有限公司) is held by Shanghai e-Shang Warehousing Services Co. Ltd., a Major Subsidiary. The remaining 35.0% equity interest in Mingyue Logistics Pte Ltd is held by RCLF Guangzhou 1 Pte. Ltd., which is wholly owned by Redwood China Logistics Fund Limited Partnership, which is managed by our Group. Redwood Phoenix China Investment Fund Pte Ltd is wholly owned by Redwood Asian Investments, Ltd, a Major Subsidiary.
 - (6) RW Higashi Ogishima TMK is owned as to 50.01% economic interest by RW Higashi Ogishima GK, an indirect subsidiary of our Company wholly owned by HGS Japan Pte. Ltd., an indirect subsidiary of our Company wholly owned by RW Higashi Pte. Ltd., an indirect subsidiary of our Company (“**Higashi Pte**”). The remaining 49.99% economic interest equity interest in RW Higashi Ogishima TMK is held by RW Higashi SPE 1 Pte. Ltd, an indirect subsidiary of our Company wholly owned by Higashi Pte. Higashi Pte is owned as to 70.0% equity interest by Redwood Investor (Higashi) Ltd, a wholly owned subsidiary of Redwood Asian Investments Ltd, a Major Subsidiary. The remaining 30.0% equity interest in Higashi Pte is held by Redwood Japan Logistics Fund II Limited Partnership, a Japan development fund which is managed by our Group.
 - (7) Tianjin Fanxin Warehousing Service Co., Ltd. (天津凡信倉儲服務有限公司) is wholly owned by ABM Capital Limited (incorporated under the laws of Hong Kong), an indirect subsidiary of our Company, which in turn is wholly owned by ABM Capital Limited (incorporated under the laws of the BVI) (“**ABM BVI**”), an indirect subsidiary of our Company, which in turn is held as to 90.0% equity interest by Delt Offshore Holdings (BVI) Limited, a wholly owned subsidiary of our Company. The remaining 10.0% equity interest in ABM BVI is held by Ambition Mind Holdings Limited, an independent third party to our Group, save for its interest in ABM BVI.
 - (8) The acquisition of Propertylink was completed on April 24, 2019. Propertylink is wholly-owned by ESR Australia, which in turn is held as to approximately 99.99% equity interest by ESR Australia Holding Company Pte Ltd and as to approximately 0.01% equity interest by Mr. Philip Pearce, a director of ESR Pte. Ltd. (one of our Major Subsidiaries) and other subsidiaries in our Group. ESR Australia Holding Company Pte Ltd is held as to 96.5% equity interest by ESR Pte Ltd, another Major Subsidiary. The remaining 3.5% equity interest in ESR Australia Holding Company Pte. Ltd is held by Skunsh Pty Ltd, as trustee for the McKenna Investment Trust, as to 0.9%, the ultimate beneficial owner of each of these entities is a director of certain subsidiaries of our Group.
 - (9) The remaining 26% equity interest in Shanghai Yurun Meat Food Co., Ltd is held by Jiaxing Yishang Equity Investment Partnership (Limited Partnership), which is controlled by a fund managed by us. (10) PAIP is wholly-owned by ESR ALF Qld Trust, which in turn is wholly owned by ESR Queensland Hold Trust, which in turn is wholly owned by ESR Australia Logistics Fund, which in turn is wholly owned by ESR Co-Invest Trust, which in turn is wholly owned by ESRT No 2, which in turn is wholly owned by ESRT, which in turn is held as to approximately 99.99% equity interest by ESR Hold Trust and as to approximately 0.01% equity interest by Mr. Philip Pearce, a director of ESR Pte. Ltd (one of our Major Subsidiaries) and other subsidiaries in our Group. ESR Hold Trust is held as to 99.90% equity interest by ESR Australia Holding Trust, which in turn is wholly-owned by ESR Australia Holding Company Pte Ltd, which in turn is held as to 96.5% equity interest by ESR Pte Ltd, another Major Subsidiary. The remaining 3.5% equity interest in ESR Australia Holding Company Pte. Ltd is held by Skunsh Pty Ltd, as trustee for the McKenna Investment Trust, as to 2.6% and Maxmont Pty Ltd, as trustee for the Lynch-Grant Investment Trust, as to 0.9%, the ultimate beneficial owner of each of these entities are either current or former directors of certain subsidiaries of our Group. The remaining approximately 0.1% equity interest in ESR Hold Trust is held by ESR Australia Holding Company Pte. Ltd directly.
 - (11) PT is wholly owned by ESR Co-Invest Trust, which in turn is wholly owned by ESRT No 2, which in turn is wholly owned by ESRT, which in turn is held as to approximately 99.99% equity interest by ESR Hold Trust and as to approximately 0.01% equity interest by Mr. Philip Pearce, a director of ESR Pte. Ltd (one of our Major Subsidiaries) and other subsidiaries in our Group. ESR Hold Trust is held as to approximately 99.90% equity interest by ESR Australia Holding Trust, which in turn is wholly-owned by ESR Australia Holding Company Pte Ltd, which in turn is held as to 96.5% equity interest by ESR Pte Ltd, another Major Subsidiary. The remaining 3.5% equity interest in ESR Australia Holding Company Pte. Ltd is held by Skunsh Pty Ltd, as trustee for the McKenna Investment Trust, as to 2.6% and Maxmont Pty Ltd, as trustee for the Lynch-Grant Investment Trust, as to 0.9%, the ultimate beneficial owner of each of these entities is a director of certain subsidiaries of our Group. The remaining approximately 0.1% equity interest in ESR Hold Trust is held by ESR Australia Holding Company Pte. Ltd directly.

CORPORATE STRUCTURE IMMEDIATELY PRIOR TO THE GLOBAL OFFERING

The following chart sets out a simplified corporate and shareholding structure of our Group immediately before completion of the Global Offering.



Notes:

Direct ownership

Indirect ownership

(1) Includes Shares held by Redwood Consulting.

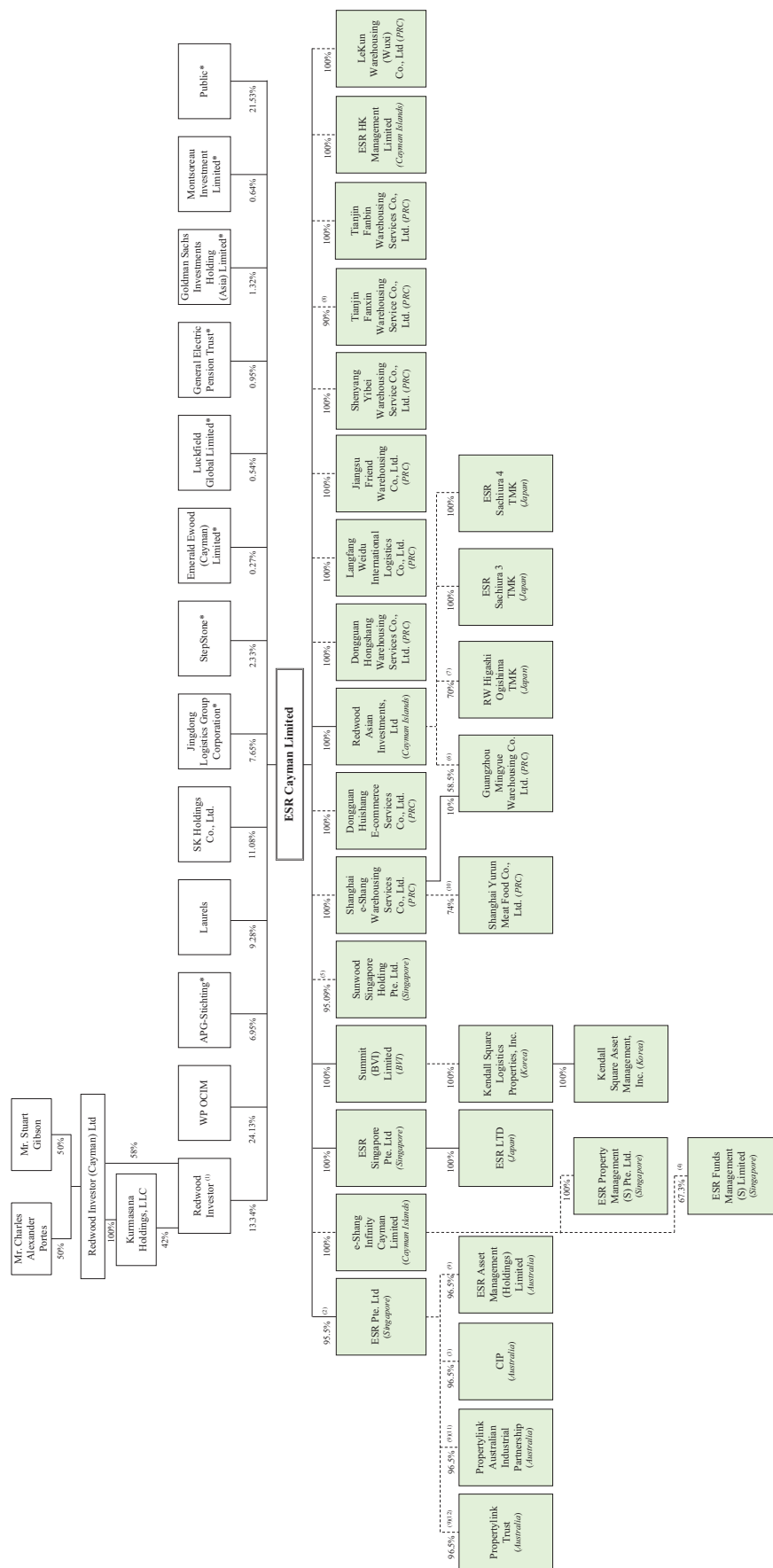
(2) The remaining 4.5% equity interest in ESR Pte. Ltd is held by Rosewood (Cayman) Holdings, the ultimate beneficial owner of which is a director of certain subsidiaries of our Group.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

- (3) CIP is wholly owned by ESR Developments (Australia) Pty Ltd, which in turn is wholly owned by ESR Australia, which in turn is held as to approximately 99.99% equity interest by ESR Australia Holding Company Pte. Ltd, and as to approximately 0.01% equity interest by Mr. Philip Pearce, a director of ESR Pte. Ltd. (one of our Major Subsidiaries) and other subsidiaries in our Group. ESR Australia Holding Company Pte. Ltd is held as to 96.5% equity interest by ESR Pte Ltd, another Major Subsidiary. The remaining 3.5% equity interest in ESR Australia Holding Company Pte. Ltd is held by Skunsh Pty Ltd, as trustee for the McKenna Investment Trust, as to 2.6% and Maxmont Pty Ltd, as trustee for the Lynch-Grant Investment Trust, as to 0.9%, the ultimate beneficial owner of each of these entities are either current or former directors of certain subsidiaries of our Group.
- (4) The remaining 32.7% equity interest in ESR Funds Management (S) Limited is held by Mitsui & Co Ltd, an independent third party to our Group, as to 7.7%, save for its interest in ESR Funds Management (S) Limited and SSPL as to 25.0%.
- (5) The remaining 4.9% equity interest in Sunwood Singapore Holding Pte. Ltd. is held by Mr. Thomas Nam as to 2.9%, CEO of ESR Korea, and by Mr. Jihun Kang as to 2.0%, CIO of ESR Korea.
- (6) Guangzhou Mingyue Warehousing Co., Ltd (廣州市銘月倉儲有限公司) is held as to 90.0% equity interest by Mingyue Logistics Pte Ltd, an indirect subsidiary of our Company, which in turn is held as to 65.0% equity interest by Redwood Phoenix China Investment Fund Pte Ltd, an indirect subsidiary of our Company. The remaining 10.0% equity interest in Guangzhou Mingyue Warehousing Co., Ltd (廣州市銘月倉儲有限公司) is held by Shanghai e-Shang Warehousing Services Co. Ltd., a Major Subsidiary. The remaining 35.0% equity interest in Mingyue Logistics Pte Ltd is held by RCLF Guangzhou 1 Pte. Ltd., which is wholly owned by Redwood China Logistics Fund Limited Partnership, which is managed by our Group. Redwood Phoenix China Investment Fund Pte Ltd is wholly owned by Redwood Asian Investments, Ltd, a Major Subsidiary.
- (7) RW Higashi Ogishima TMK is owned as to 50.01% economic interest by RW Higashi Ogishima Gk, an indirect subsidiary of our Company wholly owned by HGS Japan Pte. Ltd., an indirect subsidiary of our Company wholly owned by RW Higashi Pte. Ltd., an indirect subsidiary of our Company ("Higashi Pte"). The remaining 49.99% economic interest equity interest in RW Higashi Ogishima TMK is held by RW Higashi SPE 1 Pte. Ltd, an indirect subsidiary of our Company wholly owned by Higashi Pte. Higashi Pte is owned as to 70.0% equity interest by Redwood Investor (Higashi) Ltd, a wholly owned subsidiary of Redwood Asian Investments Ltd, a Major Subsidiary. The remaining 30.0% equity interest in Higashi Pte is held by Redwood Japan Logistics Fund II Limited Partnership, a Japan development fund which is managed by our Group.
- (8) Tianjin Fanxin Warehousing Service Co., Ltd. (天津凡信倉儲服務有限公司) is wholly owned by ABM Capital Limited (incorporated under the laws of Hong Kong), an indirect subsidiary of our Company, which in turn is wholly owned by ABM Capital Limited (incorporated under the laws of the BVI) ("ABM BVI"), an indirect subsidiary of our Company, which in turn is held as to 90.0% equity interest by Delte Offshore Holdings (BVI) Limited, a wholly owned subsidiary of our Company. The remaining 10.0% equity interest in ABM BVI is held by Ambition Mind Holdings Limited, an independent third party to our Group, save for its interest in ABM BVI.
- (9) The acquisition of Propertylink was completed on April 24, 2019. Propertylink is wholly-owned by ESR Australia, which in turn is held as to approximately 99.99% equity interest by ESR Australia Holding Company Pte Ltd and as to approximately 0.01% equity interest by Mr. Philip Pearce, a director of ESR Pte. Ltd. (one of our Major Subsidiaries) and other subsidiaries in our Group. ESR Australia Holding Company Pte Ltd is held as to 96.5% equity interest by ESR Pte Ltd, another Major Subsidiary. The remaining 3.5% equity interest in ESR Australia Holding Company Pte. Ltd is held by Skunsh Pty Ltd, as trustee for the McKenna Investment Trust, as to 2.6% and Maxmont Pty Ltd, as trustee for the Lynch-Grant Investment Trust, as to 0.9%, the ultimate beneficial owner of each of these entities is a director of certain subsidiaries of our Group.
- (10) The remaining 26% equity interest in Shanghai Yurun Meat Food Co., Ltd is held by Jiaxing Yishang Equity Investment Partnership (Limited Partnership), which is controlled by a fund managed by us.
- (11) PAIP is wholly-owned by ESR ALF Qld Trust, which in turn is wholly owned by ESR Queensland Hold Trust, which in turn is wholly owned by ESR Australia Logistics Fund, which in turn is wholly owned by ESR Co-Invest Trust, which in turn is wholly owned by ESRT No 2, which in turn is held as to approximately 99.99% equity interest by ESR Hold Trust and as to approximately 0.01% equity interest by Mr. Philip Pearce, a director of ESR Pte. Ltd (one of our Major Subsidiaries) and other subsidiaries in our Group. ESR Hold Trust is held as to approximately 99.90% equity interest by ESR Australia Holding Trust, which in turn is wholly-owned by ESR Australia Holding Company Pte Ltd, which in turn is held as to 96.5% equity interest by ESR Pte Ltd, another Major Subsidiary. The remaining 3.5% equity interest in ESR Australia Holding Company Pte. Ltd is held as to 96.5% equity interest by ESR Pte Ltd, another Major Subsidiary. The remaining 3.5% equity interest in ESR Australia Holding Company Pte. Ltd is held by Skunsh Pty Ltd, as trustee for the McKenna Investment Trust, as to 2.6% and Maxmont Pty Ltd, as trustee for the Lynch-Grant Investment Trust, as to 0.9%, the ultimate beneficial owner of each of these entities is a director of certain subsidiaries of our Group. The remaining approximately 0.1% equity interest in ESR Hold Trust is held by ESR Australia Holding Company Pte. Ltd directly.
- (12) PT is wholly owned by ESR Co-Invest Trust, which in turn is wholly owned by ESRT No 2, which in turn is wholly owned by ESR Pte. Ltd (one of our Major Subsidiaries) and other subsidiaries in our Group. ESR Hold Trust is held as to approximately 99.90% equity interest by ESR Australia Holding Trust, which in turn is wholly-owned by ESR Australia Holding Company Pte Ltd, which in turn is held as to 96.5% equity interest by ESR Pte Ltd, another Major Subsidiary. The remaining 3.5% equity interest in ESR Australia Holding Company Pte. Ltd is held by Skunsh Pty Ltd, as trustee for the McKenna Investment Trust, as to 2.6% and Maxmont Pty Ltd, as trustee for the Lynch-Grant Investment Trust, as to 0.9%, the ultimate beneficial owner of each of these entities is a director of certain subsidiaries of our Group. The remaining approximately 0.1% equity interest in ESR Hold Trust is held by ESR Australia Holding Company Pte. Ltd directly.

CORPORATE STRUCTURE IMMEDIATELY FOLLOWING THE GLOBAL OFFERING

The following chart sets out a simplified corporate and shareholding structure of our Group immediately following the completion of the Global Offering (assuming the Over-allotment Option and the Offer Size Adjustment Option are not exercised and if Luckfield Global Limited is a Selling Shareholder).



Notes:

Direct ownership

Indirect ownership

* Shareholders that will be counted towards the public float upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised)

(1) Includes Shares held by Redwood Consulting.

- (2) The remaining 4.5% equity interest in ESR Pte. Ltd is held by Rosewood (Cayman) Holdings, the ultimate beneficial owner of which is a director of certain subsidiaries of our Group.
- (3) CIP is wholly owned by ESR Developments (Australia) Pty Ltd, which in turn is wholly owned by ESR Australia, which in turn is held as to approximately 99.99% equity interest by ESR Australia Holding Company Pte. Ltd and as to approximately 0.01% equity interest by Mr. Philip Pearce, a director of ESR Pte. Ltd. (one of our Major Subsidiaries) and other subsidiaries in our Group. ESR Australia Holding Company Pte. Ltd is held as to 96.5% equity interest by ESR Pte Ltd, another Major Subsidiary. The remaining 3.5% equity interest in ESR Australia Holding Company Pte. Ltd is held by Skunsh Pty Ltd, as trustee for the McKenna Investment Trust, as to 2.6% and Maxmont Pty Ltd, as trustee for the Lynch-Grant Investment Trust, as to 0.9%, the ultimate beneficial owner of each of these entities are either current or former directors of certain subsidiaries of our Group.
- (4) The remaining 32.7% equity interest in ESR Funds Management (S) Limited is held by Mitsui & Co Ltd, an independent third party to our Group, as to 7.7%, save for its interest in ESR Funds Management (S) Limited and SSPL as to 25.0%.
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- (8) Tianjin Fanxin Warehousing Service Co., Ltd. (天津凡信倉儲服務有限公司) is wholly owned by ABM Capital Limited (incorporated under the laws of Hong Kong), an indirect subsidiary of our Company, which in turn is wholly owned by ABM Capital Limited (incorporated under the laws of the BVI) (“**ABM BVI**”), an indirect subsidiary of our Company, which in turn is held as to 90.0% equity interest by Delte Offshore Holdings (BVI) Limited, a wholly owned subsidiary of our Company. The remaining 10.0% equity interest in ABM BVI is held by Ambition Mind Holdings Limited, an independent third party to our Group, save for its interest in ABM BVI.
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OUR MISSION

We aim to build modern logistics infrastructure for 21st century commerce across APAC. We endeavor to offer tenants modern, state-of-the-art logistics facilities and solutions, and provide investors with exposure to a dynamic sector in the fast-growing APAC region.

OVERVIEW

We are the largest APAC focused logistics real estate platform by GFA and by value of the Portfolio Assets and have the largest development pipeline in aggregate across the major APAC markets as measured by GFA from July 1, 2019 to December 31, 2020, according to the JLL Report. We develop and manage modern logistics facilities that cater to e-commerce companies, 3PL providers, bricks-and-mortar retailers, manufacturers, cold-chain logistics providers and others in APAC as logistics infrastructure continues to evolve for the modern economy. We focus solely on APAC, which comprised over 3.6 billion people (around 50% of the global population) and over US\$28.6 trillion of GDP (over 33% of the global GDP) in 2018, according to the JLL Report. We currently operate in the PRC, Japan, South Korea, Singapore, Australia and India markets that represent close to 90% of GDP in APAC in 2018, according to the JLL Report.

We hold a portfolio of logistics properties on our balance sheet and manage a broad range of funds and investment vehicles that invest in logistics properties at various stages of the property life cycle across APAC. As of June 30, 2019, we managed 30 private third-party pooled investment vehicles, with over US\$6.3 billion in total equity commitments, and two REITs listed on the SGX-ST with aggregate appraised carrying value of approximately US\$2.9 billion. As of June 30, 2019, our AUM was approximately US\$20.2 billion (of which US\$2.7 billion was on our balance sheet) and comprised approximately 8.5 million sq.m of GFA of completed properties, approximately 4.4 million sq.m of GFA of properties under construction (which we expect to be completed over the next two to five years and the size of which is expected to be more than half of the GFA of our current completed properties) and approximately 2.4 million sq.m of GFA to be built on land held for future development, adding up to over 15.3 million sq.m of GFA in total. GFA on land held for future development refers to total estimated GFA upon completion based on the Company's construction plans. See the paragraph headed "—Property Operations—Classification of the Portfolio Assets" in this section of the Prospectus for further details.

We develop logistics real estate primarily in Tier 1 and 1.5 cities in APAC, targeting strategic locations near key logistics hubs, major seaports, airports, transportation hubs and industrial zones in the PRC, Japan, South Korea, Singapore, Australia and India, which are the markets we believe will drive future growth across APAC. The majority of the tenants in the Portfolio Assets service domestic consumption in APAC. According to the JLL Report, APAC's substantial middle class population coupled with rapid economic growth and rising income levels are expected to support rising consumption levels in the region. Private consumption in China, Japan, South Korea, Singapore, Australia and India is forecasted to grow at a CAGR of 8.1% between 2019 and 2023, approximately two times the anticipated 4.0% growth in the US during the same period. As of June 30, 2019, e-commerce and 3PL tenants made up approximately 48.5% of the tenant base of the Portfolio Assets by leased area. In 2016, 2017 and 2018 and for the six months ended June 30, 2019, rental revenues from e-commerce and 3PL tenants in our balance sheet properties amounted to 82.6%, 76.7%, 63.5% and 41.0% of our total rental revenues, respectively. The decrease in the proportion of rental revenues from e-commerce and 3PL tenants in 2017 was due to the disposal of several properties to China

BUSINESS

Invesco Core Fund from our balance sheet, the majority of which we had leased to e-commerce tenants, and in 2018 was due to rental income from an existing manufacturing tenant in the RW Higashi-Ogishima DC property, which we plan to redevelop into a modern logistics facility. The decrease in the proportion of rental revenues from e-commerce and 3PL tenants in the six months ended June 30, 2019 was due to our acquisition of Propertylink, the property portfolio of which had a higher percentage of traditional logistics and industrial tenants, as well as the disposal of certain balance sheet properties to NCI Core Fund, the majority of which were occupied by e-commerce tenants.

Our Company was formed from the merger of e-Shang and the Redwood group in January 2016. E-Shang was co-founded in 2011 by WP OCIM and Mr. Jinchu Shen, who has substantial experience in modern logistics facilities in the PRC, with the goal of establishing a platform to capitalize on the dynamic growth of the PRC economy. The Redwood group was founded in 2006 by Mr. Stuart Gibson and Mr. Charles Alexander Portes, who have substantial experience in the development of modern logistics real estate in Asia, to focus on modern logistics development in Japan. By the time of the merger between e-Shang and the Redwood group, e-Shang was a fully integrated development and investment management business in the PRC with a strong emerging business in South Korea. In January 2017, we expanded our platform into the Singapore market, shortly followed by our entry into the Indian market. In October 2017, we entered the Australian market through the acquisitions of a minority equity stake in Propertylink (an ASX-listed internally-managed REIT, specializing in Australian industrial and office investments) and an equity stake in Centuria (an ASX-listed property funds manager), and in August 2018 we acquired a 100% equity interest in CIP (an integrated development group with national presence in Australia that has a track record of development of commercial and industrial real estate projects totaling over US\$1.8 billion in value as of December 31, 2018) as the base platform upon which to grow our Australian business. As of June 30, 2019, we owned a 14.8% stake in Centuria. To facilitate both acquisitions we entered into share swap transactions that have now been closed out. In April 2019, we completed our acquisition of Propertylink. See the paragraph headed “—The Propertylink Acquisition” in this section below for further information.

With our APAC-focused business model, we grew significantly during the Track Record Period through organic growth and strategic M&A, increasing our AUM from US\$7.4 billion as of December 31, 2016 to US\$12.0 billion as of December 31, 2017, to approximately US\$16.0 billion as of December 31, 2018 and further to US\$20.2 billion as of June 30, 2019. We have also attracted investments from three out of the top six real estate capital providers globally based on IP&E Real Assets’ top 100 ranking of the world’s largest real estate investors in 2018. We were ranked #29 in the world in PERE’s “Fab 50”, the flagship ranking of the private real estate world’s top managers (by total annual fundraising amount) in 2018. Our revenue grew by 58.5% from US\$96.7 million in 2016 to US\$153.3 million in 2017, and further grew by 65.8% to US\$254.1 million in 2018. Our revenue grew by 66.3% from US\$93.7 million for the six months ended June 30, 2018 to US\$155.8 million for the six months ended June 30, 2019. Our net profit grew by 91.6% from US\$104.8 million in 2016 to US\$200.8 million in 2017, and further grew by 6.0% to US\$212.9 million in 2018. Our net profit grew by 32.0% from US\$63.7 million for the six months ended June 30, 2018 to US\$84.1 million for the six months ended June 30, 2019. Our total consolidated balance sheet assets, which include our investment properties, investments in joint ventures, and financial assets at fair value, grew by 45.4% from US\$2,101.5 million as of December 31, 2016 to US\$3,054.9 million as of December 31, 2017, and further grew by 45.1% to US\$4,431.6 million as of December 31, 2018 and 34.2% to US\$5,946.0 million as of June 30, 2019.

BUSINESS

Below is a summary of the Portfolio Assets we directly owned as of June 30, 2019:

<u>Country</u>	<u>Number of properties⁽¹⁾</u>	<u>GFA of completed properties⁽²⁾⁽³⁾</u>	<u>GFA of properties under construction⁽³⁾</u>	<u>GFA on land held for future development⁽³⁾</u>
		(sqm in thousands)		
The PRC	27	1,105.4	842.4	657.4
Greater Shanghai	8	516.1	403.3	245.6
Greater Beijing	5	253.7	—	147.8
Greater Guangzhou	6	238.6	—	107.9
Others	8	96.9	439.1	156.2
Japan	4	—	575.0	300.0
Tokyo	4	—	575.0	300.0
Australia	41⁽⁴⁾	481.7	35.9	— ⁽⁴⁾
New South Wales	15	158.6	18.4	—
Queensland	10	80.5	—	—
Victoria	13	214.9	17.5	—
Western Australia	3	27.6	—	—
India	3	—	116.5	229.9
Mumbai	2	—	116.5	199.3
Kolkata	1	—	—	30.7
Total	<u>75</u>	<u>1,587.1</u>	<u>1,569.7</u>	<u>1,187.3</u>

Notes:

- (1) Includes completed properties, properties under construction and GFA on land held for future development.
- (2) Includes both stabilized and pre-stabilized completed properties. “Stabilized properties” refer to completed properties: (i) for which construction or acquisition had been completed for more than 12 months; or (ii) reached an occupancy rate of 93% or higher. “Pre-stabilized properties” refer to completed properties: (i) for which construction or acquisition had been completed for less than 12 months; or (ii) with an occupancy rate of less than 93%.
- (3) For the definitions of “completed properties,” “properties under construction,” and “GFA on land held for future development,” see the section headed “—Property Operations—Classification of the Portfolio Assets” in this Prospectus.
- (4) We also own four parcels of land in Australia to be developed in the future, and are currently in the process of formulating the construction plans and as such have not included the number of properties or the GFA figures to be built on such land.

As of June 30, 2019, the portion of the Portfolio Assets that we held on our balance sheet was valued at US\$2.7 billion.

BUSINESS

Below is a summary of the Portfolio Assets held in the funds and investment vehicles we managed as of June 30, 2019. We hold minority investments in many of the funds and investment vehicles we manage. See the section headed “Business—Principal Business Activities” in this Prospectus for details of the minority interests we hold:

Country	Number of properties ⁽¹⁾	GFA of completed properties ⁽²⁾⁽³⁾	GFA of properties under construction ⁽³⁾	GFA on land held for future development ⁽³⁾
		(sqm in thousands)		
The PRC	58	2,681.8	830.2	501.4
Greater Shanghai	26	1,376.0	220.6	161.3
Greater Beijing	3	80.9	—	70.5
Greater Guangzhou	6	104.9	402.6	—
Others	23	1,120.0	207.0	269.6
Japan	22	1,230.8	1,003.5	—
Tokyo	15	672.6	608.8	—
Osaka	4	426.4	361.1	—
Nagoya	3	131.8	33.6	—
South Korea	25	980.5	629.5	543.9
Singapore	74	1,686.8	N/A	N/A
Australia	28	297.3	14.7	—
New South Wales	13	122.0	14.7	—
Queensland	7	78.2	—	—
Victoria	5	84.5	—	—
Western Australia	2	6.6	—	—
South Australia	1	6.0	—	—
India	6	62.2	307.6	138.7
Total	213	6,939.3	2,785.4	1,184.0

Notes:

- (1) Includes completed properties, properties under construction and GFA on land held for future development.
- (2) Includes both stabilized and pre-stabilized completed properties. “Stabilized properties” refer to completed properties: (i) for which construction or acquisition had been completed for more than 12 months; or (ii) reached an occupancy rate of 93% or higher. “Pre-stabilized properties” refer to completed properties: (i) for which construction or acquisition had been completed for less than 12 months; or (ii) with an occupancy rate of less than 93%.
- (3) For the definitions of “completed properties,” “properties under construction,” and “GFA on land held for future development,” see the section headed “Business—Property Operations—Classification of the Portfolio Assets” in this Prospectus.

The following table summarizes our AUM by assets held on our balance sheet and in the funds and investment vehicles we managed as of June 30, 2019:

Country	Assets held on our balance sheet	Fund AUM ⁽¹⁾	AUM
	(US\$ millions)		
The PRC	1,366.9	3,020.8	4,387.7
Japan	627.0	6,929.5	7,556.5
South Korea	—	3,623.5	3,623.5
Singapore	—	2,872.0	2,872.0
Australia	651.1	651.7	1,302.8
India	11.3	480.8	492.1
Total	2,656.3	17,578.3	20,234.5

Note:

- (1) We hold minority investments in many of the funds and investment vehicles we manage. See the paragraph headed “—Principal Business Activities” in this section of the Prospectus for details of the minority interests we hold.

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As part of our business, we enter into MOUs to acquire properties for our balance sheet and the funds and investment vehicles we manage. The following table summarizes the GFA under MOUs attributable to our balance sheet and the funds and investment vehicles we managed as of June 30, 2019:

Country	GFA under MOUs ⁽¹⁾ attributable to our balance sheet	GFA under MOUs ⁽¹⁾ attributable to our funds and investment vehicles (sq.m. in thousands)	Total
The PRC	1,476.4	156.3	1,632.7
Japan	—	1,282.9	1,282.9
South Korea	—	1,866.2	1,866.2
Australia	17.0	—	17.0
India	—	1,983.8	1,983.8
Total	<u>1,493.4</u>	<u>5,289.2</u>	<u>6,782.6</u>

Note:

(1) GFA under MOUs represents total estimated GFA upon completion based on construction plans of properties with respect to which we have entered into non-binding memoranda of understanding for our future acquisition or development but have not entered into master investment agreements with regulatory authorities or private landowners. There is uncertainty as to whether any MOUs will result in completed transactions. For more information on the risks related to the MOUs, see the section headed “Risk Factors—Risks Relating to Our Business and Industry—We may not be able to acquire land in desirable locations on commercially reasonable terms, and we may be unable to complete acquisitions of property assets and successfully operate acquired properties” in this Prospectus.

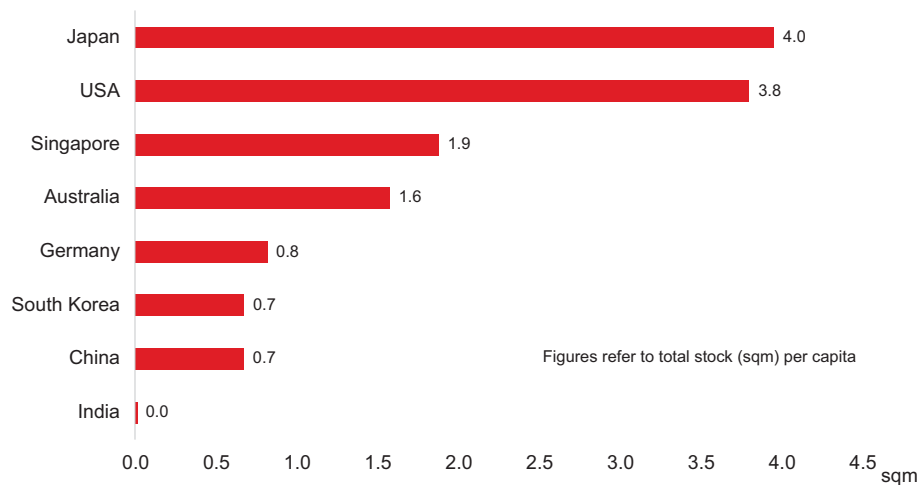
From July 1, 2019 up to the Latest Practicable Date, we have completed additional acquisitions for our balance sheet representing GFA of approximately 0.15 million sq.m. in the PRC and additional acquisitions for the funds and investment vehicles we manage representing GFA of approximately 0.20 million sq.m. in South Korea and 0.22 million sq.m. in India. As of the Latest Practicable Date, we also entered into a number of MOUs to acquire properties for our balance sheet representing GFA of approximately 2.6 million sq.m. in the PRC and MOUs to acquire properties for the funds and investment vehicles we manage of approximately 5.9 million sq.m., representing GFA of approximately 0.6 million sq.m. in the PRC, 1.5 million sq.m. in Japan, 1.8 million sq.m. in South Korea, 2.0 million sq.m. in India and 17,020 sq.m. in Australia.

OUR INDUSTRY

Logistics real estate space

The APAC logistics real estate market continues to grow, although there are vast differences in the scale and maturity between markets in the region. Some markets, such as Australia and Japan, are relatively mature, while others are in early stages of growth. At an aggregate level, there is significant potential for further development. According to the JLL Report, developed markets such as the US and Japan have an average logistics real estate space per capita of close to four sq.m. Australia and Singapore each have an average logistics real estate space per capita of just one to two sq.m. South Korea, the PRC and India each have an average logistics real estate space per capita of less than one sq.m. Logistics real estate space per capita is lower in APAC with per capita logistics real estate space in the PRC, Japan, South Korea, Singapore, Australia and India in aggregate at just 0.5 sq.m. As markets mature, the level of logistics real estate space required to service the relevant populations is expected to increase.

Estimated total logistics real estate space per capita⁽¹⁾



Source: JLL estimates based on a combination of information from public sources, company reports, site visits, and industry contacts, Oxford Economics, as of April 1, 2019 (except China, Japan, South Korea and India as of December 31, 2018).

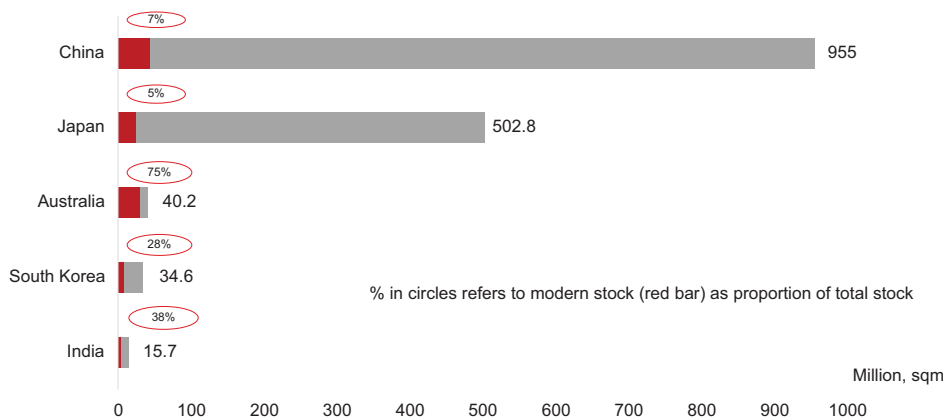
Note:

- (1) Based on total logistics stock. An accurate breakdown of modern and non-modern real estate is not available in each market. Includes existing warehouse and distribution buildings of all grades; owner- and tenant-occupied, and available for lease and/or sale. Different countries use different methodologies and definitions to capture total stock. As such total stock and stock per capita between countries may not be directly comparable.

Modern logistics real estate space

Modern logistics real estate space is characterized by, among other things, large floor plates, high ceilings, wide column spacing, spacious and modern loading docks as well as enhanced safety systems and other value-added features. Modern logistics real estate space in APAC as a proportion of total space is relatively low compared to the US. This may provide scope for greater development, particularly against the backdrop of increasing demand from the 3PL industry and e-commerce platforms. Supply chain modernization is adding to the global demand for new logistics facilities. Tenants are upgrading from outdated, often small and owner-occupied facilities to newer facilities in premium locations.

Estimated modern logistics real estate space as a proportion of total logistics real estate space⁽¹⁾⁽²⁾



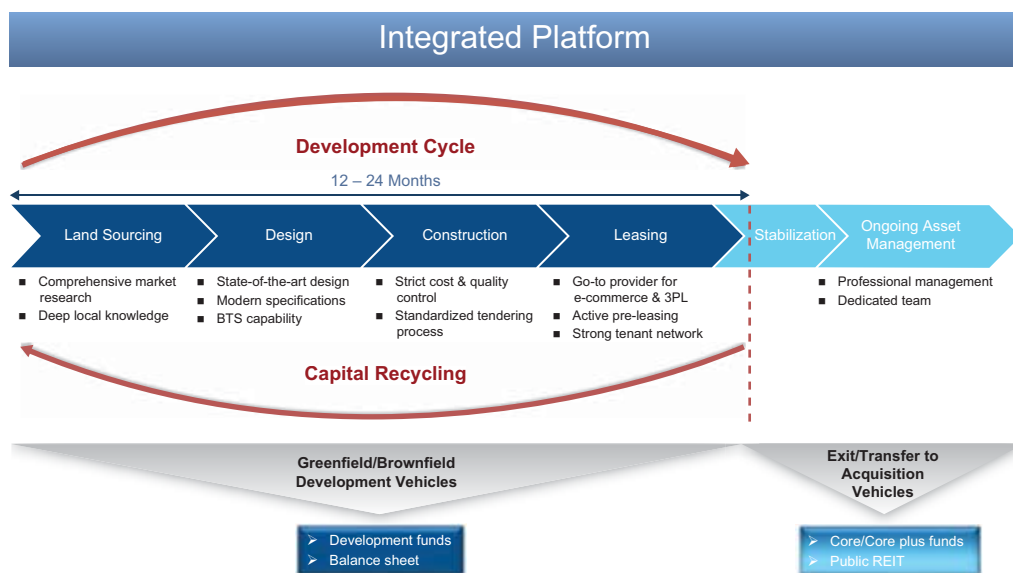
Source: JLL estimates based on a combination of information from public sources, company reports, site visits, and industry contacts, as of June 30, 2019 (except for India, Japan and South Korea which are as of October 1, 2018).

Notes:

- (1) Total logistics space includes existing warehouse and distribution buildings of all grades; owner- and tenant-occupied, and those available for lease and/or sale. Logistics facilities in Australia generally refer to prime space. Different countries use different methodologies and definitions to capture total stock, and modern and non-modern stock. As such, total stock and modern and non-modern stock between countries may not be directly comparable.
- (2) The % in circle is based on the proportion of Grade A stock relative to total Grade A and Grade B stock within JLL's coverage area. However, there is a significant amount of stock that is classified as Grade C. Due to the fragmented nature and low transparency of the market in India, particularly in the Grade C market, it is difficult to correctly assess the level of Grade C stock. As a result, the percentage of modern facilities (Grade A) relative to total stock (Grade A, B and C) will be significantly lower.

Unless otherwise indicated, the information above has been derived from the JLL Report, a copy of which has been included in Appendix IV to this Prospectus.

OUR BUSINESS MODEL



We use in-house capabilities to source, design, construct, lease and manage the Portfolio Assets. We have expertise throughout the development cycle and actively source ground-up (greenfield) and re-development (brownfield) opportunities across APAC. We design and construct modern logistics properties that meet the evolving needs of tenants and lease these properties to e-commerce companies, 3PL providers, bricks-and-mortar retailers, manufacturers, cold-chain logistics providers and others, as they continue to expand their logistics infrastructure in APAC. Our development team works closely with our local and regional leasing and operations teams, enhancing our ability to deliver and rapidly lease-up modern logistics facilities.

We scale our business by deploying both our own capital and that of pooled funds and investment vehicles, which span the spectrum of both risk and liquidity. We develop logistics properties through our own balance sheet and the development funds and investment vehicles that we manage, which leverage our development capabilities. We utilize a capital recycling strategy when we dispose of stabilized assets to the core/core-plus funds and investment vehicles we manage, and potentially to REITs, in order to realize development profits which can then be used for future projects. Pursuant to our capital recycling strategy, we determine the types of assets to dispose from our balance sheet, and the timing of such disposals, based on our evaluation of a number of factors, including (i) the amount of rental revenue and capital appreciation an asset would generate if kept on our balance sheet, (ii) potential investments into which we could redeploy capital upon disposal of an existing

asset, (iii) the fees that we could generate from an asset if it were held in a fund or investment vehicle we manage, and (iv) the investment mandates of our funds and investment vehicles. We generally consider the disposal of a property once it has been completed, and we prioritize the disposal of our balance sheet properties to the funds and investment vehicles we manage in order to manage assets for the long term where our fund mandates permit. We retain the option to dispose of assets to third-parties if we deem it appropriate to do so. The synergies between our development and core/core-plus funds and investment vehicles give us the opportunity to manage the underlying assets throughout their useful lives and build recurring revenue streams. We can acquire, develop and own assets that fit our capital partners' risk-reward profiles and still capture opportunities using our own balance sheet which may not fall within the investment criteria of the funds and investment vehicles we manage. The flexibility of this dual approach helps us avoid a time consuming search for a co-investor on each individual project and provides future capital partners with visibility over the assets on our balance sheet that might form a fund or investment vehicle.

We also use our balance sheet to grow our business through the acquisition of private and public platforms in prospective growth markets. For example, in January 2017, we expanded into the Singapore market and obtained control of the ESR-REIT Manager. In April 2019, we completed our acquisition of Propertylink in Australia. See the paragraph headed “—The Propertylink Acquisition” in this section of the Prospectus for further information. In June 2019, we completed the Sabana Manager Acquisition in Singapore. As we continue to expand the business, we have and will continue to utilize our business model to acquire local expertise and assemble business teams in each of our markets of operation. See the paragraph headed “—Principal Business Activities—Development” in this section of the Prospectus for further details.

Our Company is organized into business units based on our products and services and has three reportable operating segments as follows:

- *Development.* We earn development profit through the development, construction and sale of completed properties on our balance sheet. Our development profit includes construction income (as a result of the consolidation of CIP since August 2018), fair value gains on investment properties under construction and gains on disposal of subsidiaries. We also derive pro rata earnings and pro rata value appreciation through the development activities of the development funds and investment vehicles we manage in proportion to our co-investments in those funds and investment vehicles.
- *Fund management.* We earn fee income from managing the underlying assets on behalf of our capital partners via the funds and investment vehicles we manage. Our fees include base management fees, asset management fees, acquisition fees, development fees and leasing fees. We also participate in a disproportionate share of profits through promote upon exceeding a pre-determined target IRR and after our capital partners have received their targeted capital returns.
- *Investment.* Our investment segment is divided into three main categories: (i) completed properties that we hold on our balance sheet, from which we derive rental income and appreciation in value; (ii) our co-investments in the funds and investment vehicles and the public REIT we manage, from which we derive dividend income, pro rata earnings and/or pro rata value appreciation; and (iii) other investments. In the years ended December 31, 2016, 2017 and 2018 and for the six months ended June 30, 2019, our average rental yield (rental income as a proportion of property book cost) for properties held on our balance sheet was 11.5%, 11.1%, 11.3% and 12.5%, respectively.

COMPETITIVE STRENGTHS AND STRATEGIES

Competitive Strengths

We are the largest APAC focused logistics real estate platform

We are the largest APAC focused logistics real estate platform by GFA and by the value of the Portfolio Assets and have the largest development pipeline in aggregate across APAC as measured by GFA from July 1, 2019 to December 31, 2020, according to the JLL Report.

Our network of strategically-located modern logistics facilities in APAC combined with our logistics real estate fund management platform offers us a number of strategic benefits:

- *Dynamic growth.* According to the JLL Report, the six economies in APAC where we operate account for close to 90% of the nominal GDP of APAC in 2018. According to the JLL Report, the revenue of APAC's e-commerce logistics market expanded by 22.9% in 2018 and is expected to grow at a CAGR of 15.1% from 2018 to 2023. We believe that our APAC focus differentiates us from certain global logistics real estate players for whom Asia is a small part of their portfolio or who concentrate on more limited geographies in APAC, and positions us to capitalize on this dynamic growth with strong on-the-ground execution and tenant sourcing capabilities, as evidenced by our 272% growth in AUM during the Track Record Period.
- *Economies of scale.* Our scale and presence across six economies in APAC gives us advantages of scale and regional tenant relationships over those local players that only operate in one country. This scale is complemented by the strength of our balance sheet and the size of our fund management platform which together enable us to be nimble in acquiring land and to start construction promptly without having to source third party financing for each project. Further, our scale offers us cost efficiencies in terms of negotiating construction contracts and facility management contracts and optimizing personnel resources.
- *Network effect.* Having the largest portfolio of modern logistics facilities in APAC provides our tenants with regional solutions as their business grows. For example, JD.com leased approximately 1,025,817 sq.m from us across 16 locations as of June 30, 2019. We are JD.com's largest external landlord in the Yangtze River Delta area and one of its major landlords across APAC. Further, our broad and diverse logistics real estate fund management platform also provides investors a single interface to access investment opportunities across APAC. For example, APG Group is a capital partner in our funds in the PRC, South Korea and Japan and remains open to exploring investments in other markets in APAC with us. Our broad network of modern logistics facilities and investment vehicles underpins our value proposition to tenants and capital partners.

Below are highlights of our strong market position in each of our markets of operation. According to the JLL Report:

- *The PRC.* Our portfolio of logistics properties is the second largest in Greater Shanghai, Greater Beijing and Greater Guangzhou as measured by GFA and development pipeline from July 1, 2019 to December 31, 2020.
- *Japan.* We have the largest development pipeline by GFA from July 1, 2019 to December 31, 2020 in the Greater Tokyo and Greater Osaka regions.

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- *South Korea.* We are the largest owner of logistics stock by GFA and have the largest development pipeline from January 1, 2019 to December 31, 2020 in the Seoul Metropolitan Area.
- *Singapore.* We are the third largest industrial REIT in Singapore in terms of number of assets.

We have an integrated development platform with strong project sourcing and execution capabilities, complemented by our efficient capital recycling strategy

We have a high-performing development platform with an end-to-end integrated suite of technical capabilities and services to meet tenants' growing demand in key APAC markets. Throughout the development cycle, we have expertise to source ground-up (greenfield) and re-development (brownfield) opportunities across APAC to design, construct and lease modern logistics properties. One of our key strengths for prospective tenants and capital partners is our ability to execute logistics development projects at a consistently efficient and high quality level, delivering modern facilities characterized by large floor plates, high ceilings, wide column spacing, spacious and modern loading docks as well as enhanced safety systems and other value-added features. We conduct feasibility studies, master planning, project design, project cost analysis and project management for each of our logistics properties so as to cater to individual tenants' needs. The quality of our logistics facilities has been recognized, for example, through the award of LEED Gold certification for two of our logistics facilities, located in Kunshan and Wuxi in the Greater Shanghai area.

Depending on the market and property type, it typically takes us approximately 12 to 24 months to develop, from land acquisition to stabilization, the Portfolio Assets, which is in line with industry standards. We believe our development capabilities and ability to offer tailored services such as customized site selection, land acquisition and design helps us attract high quality and long-term tenants. For example, we delivered to Amazon the Kunshan Friend I facility, a customized project in the greater Shanghai area, PRC, with construction completed within 11 months. In another case, we provided highly-specified logistics facilities for a leading German automobile manufacturer in Guangzhou, PRC, with construction completed in 13 months.

Our high-performing development platform complements our efficient capital recycling strategy, in which we dispose of assets that we own directly or are owned by the development funds we manage to the core/core-plus funds and investment vehicles we manage, and potentially to REITs. In the first half of 2019, we completed the disposal of seven properties with an aggregate gross asset value of approximately US\$276.7 million from our balance sheet to NCI Core Fund, in respect of which we realized gains of US\$16.5 million. In December 2018, we effected the disposal of a total of six completed modern logistics facilities from Redwood Japan Logistics Fund Limited Partnership to our Japan Core Fund with an aggregate value of approximately US\$959.0 million. In August 2017, we disposed of a total of five properties from our balance sheet with an aggregate value of approximately US\$295.7 million to China Invesco Core Fund, which realized gains for us of US\$38.3 million. We did not dispose of any properties in 2016. We also have the flexibility to dispose of assets to other core/core-plus funds that we may form and/or manage in the future and to third parties. This provides an exit strategy for our development platform and realizes gains for us and for our development fund capital partners.

Through our August 2018 acquisition of CIP and April 2019 acquisition of Propertylink, we have further expanded our capabilities into the Australian market, where we can now leverage the

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development capabilities of CIP and pursue capital recycling opportunities with Propertylink's fund management platform in furtherance of our integrated business model.

Our fund management platform provides us with high margin and stable fee income largely independent of property values

We have an integrated fund management platform that facilitates AUM growth and generates multiple sources of income (including base management fees, development fees, asset management fees, land acquisition fees and leasing fees) and additionally allows us to participate in a disproportionate share of equity gains through a promote upon exceeding certain target IRR and after our capital partners have received their targeted capital returns. Because we manage multiple funds with varying investment mandates, we can dispose of assets from our development funds to our core/core-plus funds as they mature, and continue to generate fees from such assets.

We manage development funds and core/core-plus funds in PRC, Japan, South Korea and India and a public REIT in Singapore. We believe the depth and breadth of our fund management platform attracts sophisticated capital partners who want to access multiple investment opportunities across APAC through a single interface. We have grown our Fund AUM from US\$6.5 billion as of December 31, 2016 to US\$17.6 billion as of June 30, 2019. Our fund management revenue has increased from US\$46.5 million in 2016 to US\$94.3 million in 2017, and further to US\$135.6 million in 2018, and from US\$59.0 million for the six months ended June 30, 2018 to US\$61.8 million for the six months ended June 30, 2019. We have maintained high margins with respect to our fund management segment during the Track Record Period.

Our fund management platform was designed to provide us with long-term operational control of the logistics real estate assets and sustainable fees across the full asset life-cycle, without necessarily holding such assets on our balance sheet, which supports our ability to remain resilient throughout changing business cycles and fluctuations in asset value.

Our platform is supported by a network of high-quality tenants and capital partners with whom we have strong and long-standing relationships

We lease the logistics facilities owned directly by us or by the funds that we manage to a broad range of large and mid-sized, multinational and domestic tenants, including e-commerce companies, 3PL providers, bricks-and-mortar retailers, manufacturers, cold-chain logistics providers and others. These tenants are in a large variety of industries, including electronics, fast-moving consumer goods, retail, food and beverage, general logistics services, auto and parts, pharmaceuticals, medical instruments and machinery. The majority of the tenants in the Portfolio Assets service domestic consumption in APAC.

We believe our proven ability to deliver tenant-driven solutions within short development timelines is attractive to potential tenants. Together with our broad network across APAC, this capability has made us a key partner for high-quality tenants that operate in sectors well positioned to benefit from economic trends in APAC, in particular, e-commerce companies and 3PL providers. For example, with respect to the Portfolio Assets in the PRC, e-commerce companies constitute a significant portion of our tenants, with approximately 1.6 million sq.m., or 45.0% of our leased area, occupied by leading e-commerce tenants such as Cainiao (a member of Alibaba Group), JD.com and Amazon, as of June 30, 2019. In Japan, we are a leading landlord for 3PL providers who account for

approximately 0.4 million sq.m., or 49.5% of our leased area. In APAC overall, e-commerce and 3PL tenants made up approximately 48.5% of the tenant base of the Portfolio Assets by leased area, as of June 30, 2019. In 2016, 2017 and 2018 and for the six months ended June 30, 2019, rental revenues from e-commerce and 3PL tenants in our balance sheet properties amounted to 82.6%, 76.7%, 63.5% and 41.0%, respectively, of our total rental revenues. The decrease in the proportion of rental revenues from e-commerce and 3PL tenants in 2017 was due to the disposal of several properties to China Invesco Core Fund from our balance sheet, the majority of which we had leased to e-commerce tenants, and in 2018 was due to rental income from an existing manufacturing tenant in the RW Higashi-Ogishima DC property, which we plan to redevelop into a modern logistics facility. The decrease in the proportion of rental revenues from e-commerce and 3PL tenants in the six months ended June 30, 2019 was due to our acquisition of Propertylink, the property portfolio of which had a higher percentage of traditional logistics and industrial tenants, as well as the disposal of certain balance sheet properties to NCI Core Fund, the majority of which were occupied by e-commerce tenants.

As APAC supply chain decisions are generally made locally within the region, our ability to connect with the decision makers and know their requirements have allowed us to establish regional supply chain solutions for our tenants. For example, 16 of our existing tenants lease multiple locations from us across APAC. Our value proposition to our tenants has resulted in an occupancy rate of approximately 92% for stabilized properties in the Portfolio Assets as of June 30, 2019. Further, our network of high quality tenants underpins our ability to lease any vacancies.

We have a diversified global institutional investor base whom we believe are attracted by our ability to deliver strong ongoing returns and long-term value creation. Many of our capital partners, such as APG Group, CPPIB, Ping An and Allianz Real Estate, are long-term investors with capital commitments in more than one of our investment vehicles, and some of them invest in our funds in more than one jurisdiction. For example, investment vehicles managed by the APG Group first invested with us in the PRC in 2014 and subsequently in South Korea in 2015 and in Japan in 2019. Also, CPPIB first invested with us in our development fund in South Korea in 2015 and then invested with us in our core fund in South Korea in 2018. The size and scale of our capital partners combined with their long-term approach, and our multinational platform provide us with access to capital across APAC. This network positions us to take advantage of growth opportunities in our existing markets at various stages of the investment cycle, and provides flexibility to our capital partners to deploy their capital across different geographies and risk profiles via different types of funds and investment vehicles.

We believe our regional presence increases the strength of our relationships with our tenants and capital partners, creating a virtuous cycle. Our capital partners utilize an increasing amount of capital to facilitate the expansion of our logistics real estate infrastructure; the expansion of our regional footprint attracts existing and potential tenants seeking regional solution-providers, which in turn attracts more investor interest and partnership opportunity.

We have a proven ability to grow organically and to execute opportunistic M&A transactions to expand our capabilities, broaden the scope of the Portfolio Assets, and support our growth in the logistics real estate industry

Our organic growth capabilities are evidenced by our expansion into new markets, including South Korea in 2014 and India in 2017. In South Korea, we have partnered with strong local leadership

to take advantage of the transformation in the logistics real estate sector from traditional warehousing to modern logistics facilities. Similarly, in India, we have assembled a local team and in November 2018 closed a US\$228.9 million fund with a global real estate investor based in Germany that has the potential to increase to EUR380 million (approximately US\$419.5 million).

We also have demonstrated our ability to identify market opportunities, execute strategic M&A, and integrate new businesses into our platform, which has allowed for quick scalability in new and existing markets. Furthermore, we believe the multiple benefits that we are able to provide to target companies, such as our balance sheet capital, cross region network, fundraising capability, development expertise and tenant relationships make us an attractive partner for ambitious management teams seeking help to grow their platforms. Using strategic M&A, we can broaden our market coverage, create investment opportunities, increase our property holdings and provide our capital partners with a wider range of platforms across markets to mobilize their capital.

The formation of our Company in 2016 through the merger of e-Shang and the Redwood group expanded our development pipelines in the PRC, Japan and South Korea, enhanced our business relationships with leading multinational corporate tenants and strengthened our relationships with diverse, institutional capital partners, such as APG Group, CPPIB, Ping An and Allianz Real Estate. Our acquisition of a group of project companies from Prax Capital in October 2016 further enhanced the breadth of our balance sheet assets in the PRC by securing properties with a combination of functionality, expansion flexibility and strategic locations, which have been attractive to our e-commerce and 3PL tenants.

In January 2017, we expanded into the Singapore market and obtained control of the ESR-REIT Manager. The subsequent merger of VIT with ESR-REIT in October 2018 was the first REIT merger on the SGX-ST and reflects the strength of our corporate development capabilities whilst expanding our fund management platform and capital raising abilities, giving us access to public capital with an international acquisition mandate. We further expanded our Singapore footprint in June 2019 with our acquisition of Sabana Manager.

Our August 2018 acquisition of CIP and April 2019 acquisition of Propertylink continue our strategy to create a long-term, scalable industrial and logistics platform in Australia with proven development capabilities, and has provided us with an established land bank and a strong management team to create a development funds management platform with immediate scale.

We are led by a strong management team and backed by reputable shareholders

We were co-founded and are led by an experienced management team with a global track record. Our management team possesses deep competencies and experience in various aspects of the logistics real estate industry and management experience in multiple geographies. Immediately upon completion of the Global Offering, we expect our senior management team to have an interest in approximately 22.6% of our Company, which creates alignment between senior management and our shareholders. Our key management team members are as follows:

- Mr. Jinchu Shen, co-founder and co-CEO: Mr. Shen has over 20 years of industrial real estate experience in the PRC and was formerly Senior Vice President of Global Logistic Properties (formerly Prologis) in the PRC, where he oversaw operations representing the majority of the PRC portfolio of Global Logistic Properties. Prior to Prologis, he was a PRC logistics research director for DTZ and made the business case to originally bring

Prologis into the PRC and, as a result, was instrumental in the development of the modern logistics real estate industry in the PRC.

- Mr. Stuart Gibson, co-founder and co-CEO: Mr. Gibson has over 24 years of real estate investment experience in APAC and was formerly President of Prologis Japan as well as co-founder and co-CEO of AMB BlackPine, Japan, and was instrumental in the development of the modern logistics real estate industry in Japan.
- Mr. Charles Alexander Portes, co-founder and President: Mr. Portes has over 23 years of real estate investment experience, including over 19 years of industrial real estate experience in APAC, and was formerly Head of Acquisitions in Japan and Capital Officer for Asia with Prologis Japan as well as Co-Founder and co-CEO of AMB BlackPine, Japan.
- Mr. Wee Peng Cho, CFO: Mr. Cho has over 25 years of international financial experience and was formerly CFO of SATS and Hyflux (both listed on the SGX-ST), and worked for The Dow Chemical Company in various treasury roles in Dow's US headquarters and Singapore offices.

In addition to our strong management team, we are supported by key shareholders, including co-founder WP OCIM, an affiliate of Warburg Pincus LLC. Warburg Pincus LLC was founded in 1966 and is one of the largest private equity sponsors in the PRC and Southeast Asia region. Other shareholders, such as JD.com and SK, have provided us with the ability to leverage our shareholders' capabilities in originating logistics solutions, access to capital and access to strategic land holdings and tenant relationships.

Strategies

Our goal is to expand on our position as a leading logistics real estate and fund management platform in APAC. We intend to pursue the following growth strategies to achieve this goal:

Continue to execute our integrated strategy and capitalize on the significant market opportunities across APAC

We intend to leverage our position as the largest APAC focused logistics real estate platform by GFA and value of the Portfolio Assets to further extend our market leadership positions through our high performing integrated business model as follows:

- *Further develop our markets and build logistics infrastructure for the modern economy.* We intend to continue developing modern logistics facilities targeting metropolitan populations and centers of consumption that will form part of the backbone of 21st century commerce across APAC. Below are highlights of our development strategies in our key markets in APAC:
 - *The PRC.* Acquire additional land in strategic locations, form new partnerships and joint ventures to scale up our business in developed and high growth areas. We will also seek strategic investment opportunities in local logistics real estate players or potential strategic assets.
 - *Japan.* Leverage the continued growth of 3PL providers, e-commerce companies, internet and mail order services and develop new logistics facilities in locations that enhances our portfolio and complement our tenants' business and expansion plans.

- *South Korea.* Expand our existing presence in the greater Seoul and Busan markets by pursuing both development and core/core-plus opportunities, further enhancing our position as the largest logistics facilities supplier in the Seoul Metropolitan Area.
- *Singapore.* Grow ESR-REIT through platform and asset acquisitions and pursue development and redevelopment opportunities.
- *Australia.* Create a long-term, scalable logistics platform in Australia with proven development capabilities. We intend to leverage CIP's land bank and strong management team to seed a development fund with scale. This is complemented by our strategic investments in Propertylink and Centuria. Following the completion of the Propertylink Acquisition and pursuant to our capital recycling strategy, we plan to own and manage certain of Propertylink's existing assets within our Group and to transfer certain of the assets into new funds and investment vehicles managed by us. For more information, see the section headed "Summary—Recent Developments—Material Developments—New Australia Fund" in this Prospectus.
- *India.* Create one of the leading Indian logistics real estate platforms with a focus on developing larger-style modern logistics parks that typically measure approximately 20,000 sq.m of space, initially targeting the major cities of Mumbai, Pune, Delhi, Chennai and Bangalore.
- *Continue to build on our network of high quality tenants.* Our current APAC market leadership and ability to grow is supported by our network of high quality tenants. Our tenants come back to us due to our ability to deliver high quality state-of-the-art logistics facilities across their operating network on efficient development timelines and budgets. We intend to continue building modern logistics facilities in strategic locations that meet the evolving expansion needs of our tenants, especially those that make supply chain decisions across APAC (such as JD.com and Cainiao, a member of Alibaba Group).
- *Continue to leverage on our integrated fund platform.* Using our robust deal sourcing and development capabilities and our capital pool, we intend to provide our capital partners with access to deal opportunities across APAC to actively participate in the growth of the APAC economy and e-commerce market penetration. By bringing our capital partners across APAC, we will be able to provide the capital for developments and platform acquisitions in new markets in APAC. We intend to launch new core/core-plus USD and RMB denominated funds to grow our capital available for new projects.

Leverage our scale and geographic presence to expand into new growth markets to deepen our regional connectivity

We will continue to actively evaluate opportunities in new markets through potential partnerships and selective acquisitions in high growth markets (such as Indonesia, Thailand and Vietnam), leveraging on our strong management expertise and diverse network of existing tenant relationships. We intend to deepen our regional connectivity by offering a single solution for regional tenants as supply chain efficiency becomes increasingly critical. For example, JD.com, Carrefour and Amazon are tenants in more than one of our markets of operation. Our tenants can benefit from our ability to offer logistics solutions in multiple cities in multiple markets.

We are focused on building and deepening long-term tenant relationships and delivering solutions that meet our tenants' business needs, helping them to improve their supply chain efficiency

and fulfill their strategic expansion goals. We intend to promote the broad product and geographic offerings of our logistics facilities portfolio to attract existing and prospective tenants with a view to expanding our footprint in the region.

Expand our fund management platform across geographies, strategies and liquidity profiles and attract new capital partners while bringing existing capital partners across markets

We intend to expand our fund management platform to support our growth plans, taking advantage of our global institutional investor base and capital recycling model, which efficiently allocates capital across our balance sheet and the funds and investment vehicles we manage. For example, in 2017, we signed agreements to dispose of certain directly held properties with an aggregate disposal asset value of approximately US\$295.7 million to China Invesco Core Fund. In the first half of 2019, we completed the disposal of seven properties with an aggregate gross asset value of approximately US\$276.7 million from our balance sheet to NCI Core Fund. We intend to continue to inject select completed properties into our core/core-plus funds to return capital and spur near-term expansion into higher-growth acquisition and development opportunities while retaining management control, fee revenue and pro-rata earnings share from completed properties.

For our listed fund platform, we will continue to pursue acquisition opportunities that provide attractive and stable cash flows and yields together with growth potential. We also intend to leverage our extensive network to selectively expand our existing REIT vehicle or set up new REITs to capitalize on significant opportunities that exist in other real estate markets in Asia. For example, we recently established a new private REIT in Japan that will focus on typically smaller and/or longer-established assets in Japan which are not part of the mandate of the Japan Core Fund. We believe that this will enable us to more aggressively tap capital inflows into the Asia real estate sector to grow our portfolio management fee income, and at the same time, create value for our capital partners and shareholders.

We will continue to leverage the network effect produced by our scale and geographic presence to attract capital partners across APAC. Our scale across the region permits us to be able to raise capital for an APAC-focused strategy, allowing investors to gain pan-APAC exposure through investing in multiple funds. Additionally, we also intend to establish a pan-APAC fund in the future to provide investors with a single product to get exposure to logistics real estate across the region, as many investors are seeking regional investment allocations and have neither the risk tolerance nor the expertise to make country specific allocations.

Finally, we intend to deepen our capital partner relationships and also establish long-term relationships with selected small- and medium-sized investors as well as to establish new funds that will allow us to have wider discretion, better economics and further diversification of our investor base.

Strategically explore and expand into adjacent businesses and investment products within Asia

We intend to leverage our ecosystem of shareholders, capital partners, local teams and tenants to penetrate adjacent businesses that benefit from the synergies of our platform, such as real estate properties to be used for data centers, suburban IT offices and business parks. We also intend to utilize our platform to capitalize on the high percentage of user-owned real estate to structure sale-leasebacks, where we acquire existing logistics facilities and lease them back to the original owners to satisfy their

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financial and working capital needs; a structure that is much more common in the US than it is in Asia. We believe our existing strengths will facilitate our business strategies and our expansion into new asset classes in the future.

PRINCIPAL BUSINESS ACTIVITIES

Our Company is organized into business units based on our products and services and has three reportable operating segments: development, fund management and investment.

The table below sets forth the results of our three reportable operating segments, as an absolute amount and as a percentage of our total segment results, for the Track Record Period:

	Year Ended December 31,						Six Months Ended June 30,			
	2016		2017		2018		2018		2019	
	US\$	%	US\$	%	US\$	%	US\$ (unaudited)	%	US\$	%
(in thousands, except percentages)										
Segment Results										
Development	50,187	21.0	161,559	38.1	115,503	25.2	32,208	20.3	102,445	40.7
Fund management . . .	39,173	16.4	79,371	18.7	109,601	23.9	47,230	29.8	49,874	19.8
Investment	149,376	62.6	182,933	43.2	233,592	50.9	78,874	49.9	99,324	39.5
Total⁽¹⁾	238,736	100.0	423,863	100.0	458,696	100.0	158,312	100.0	251,643	100.0

Note:

(1) Excludes, among others, corporate and other unallocated expenses.

See the section headed “Financial Information—Segmentation” in this Prospectus for more information on the items comprising segment results from our reportable operating segments.

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As depicted below, as of June 30, 2019, the geographic reach of the Portfolio Assets allows us to meet our tenants' business and expansion needs in multiple locations in APAC and also gives our capital partners multiple jurisdictions in which to invest.



Note:

() Number in bracket is the number of properties we own or manage.

As of June 30, 2019, we owned or managed: (i) completed GFA of 8.5 million sq.m; (ii) GFA under construction of 4.4 million sq.m; and (iii) GFA on land held for future development of approximately 2.4 million sq.m. As of the Latest Practicable Date, we also entered into a number of MOUs to acquire properties for our balance sheet representing GFA of approximately 2.6 million sq.m. in the PRC and MOUs to acquire properties for the funds and investments vehicles we manage representing GFA of approximately 5.9 million sq.m. across the PRC, Japan, South Korea, India and Australia. As of June 30, 2019, 71.5% of the Portfolio Assets in terms of GFA were held by the funds and investment vehicles that we manage, with the rest held on our balance sheet.

Development

We develop logistics properties on our balance sheet and through the funds and investment vehicles we manage. We have established efficient, high-quality and scalable greenfield and

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brownfield logistics facilities development capabilities in each country where we operate with our extensive in-house expertise from selection and acquisition of sites to the design, construction and leasing of modern logistics facilities. These facilities are characterized by large floor plates, high ceilings, wide column spacing, spacious and modern loading docks as well as enhanced safety systems and other value-added features. We conduct feasibility studies, master planning, project design, project cost analysis and project management for each of our logistics properties. We contract with and supervise third-party construction companies to construct the logistics facilities. In Australia, following our acquisition of CIP, we have acquired in-house construction capabilities.

We earn development profit through the development, construction and sale of completed properties from our balance sheet. We also derive pro rata earnings and pro rata value appreciation through the development activities of the development funds and investment vehicles we manage in proportion to our co-investments in those funds and investment vehicles. Our business model allows us to transfer properties under development to our funds and investment vehicles, from which we derive fund management fees, including development fees and acquisition fees. Additionally, our ability to develop certain properties on our balance sheet gives us the ability to seed funds with fully developed and stabilized properties from our balance sheet, which not only facilitates fundraising but also helps us to realize development gains when we dispose of such properties.

Our development activities are led, in addition to our co-founders Mr. Jinchu Shen, Mr. Stuart Gibson and Mr. Charles Alexander Portes, by local teams that we have established in each country in which we operate. Mr. Adrian Chui, CEO and executive director of ESR-REIT, has over 18 years of experience in real estate developers, REITs, banking and capital markets in Singapore and ASEAN. Mr. Thomas Nam, CEO of ESR Korea and former head of Prologis in South Korea, and Mr. Jihun Kang, CIO of ESR Korea, are both considered logistics real estate industry leaders in South Korea. Mr. Abhijit Malkani, a director of ESR India, has over 18 years of experience in commercial and industrial real estate operations in North America, Europe, the Middle East and Asia, including 11 years of experience in logistic and industrial real estate in India, and was recently the Head of Business Development for IndoSpace (currently one of the largest logistics real estate platforms in India). Mr. Jaikumar Mirpuri, one of the country heads of ESR India, has over 15 years of experience in real estate investment and fund management in Asia and North America. Mr. Philip Pearce, CEO of ESR Australia, has over 20 years of experience in real estate in APAC and was formerly Managing Director for Greater China for the Goodman Group from 2013 to 2016 where he was responsible for the establishment of the Goodman Group's business in China.

In August 2018, we acquired CIP for approximately AUD40.1 million (approximately US\$27.3 million) to launch our business in Australia. CIP is an integrated development group with a national presence in Australia and has developed more than 1.6 million sq.m of commercial and industrial real estate projects, with a combined value of over US\$1.9 billion as of June 30, 2019. CIP has a development pipeline of 578,801 sq.m across Australia's eastern seaboard in connection with construction projects for third parties. We intend to leverage CIP's construction capabilities to develop logistics properties for our own balance sheet and the funds and investment vehicles we manage.

In each country where we operate, we endeavor to acquire strategic locations to build logistics facilities. We also purchase existing logistics facilities, generally with a view towards refurbishing, expanding, modernizing or replacing them.

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The modern logistics properties that we develop generally offer the following key features:

- *Optimal space utilization.* Large floor plates, high ceilings and wide column spacing.
- *High operating efficiency.* Spacious loading and parking areas equipped with modern loading docks.
- *Storage safety.* Security and surveillance features, proper ventilation and basic fire-fighting features such as sprinkler systems.
- *Flexibility to provide customized features.* Office space, air-conditioning and refrigeration/freezing.

The following pictures illustrate certain of our logistics properties:



Jiangsu Friend—III (China) (directly owned by us) is a multi-story ramped distribution center located in Jiangsu Province. Completed in 2017, this facility is four stories tall and has a GFA of 206,418 sq.m.



Nanko—I (Japan) (owned by a fund managed by us) is a double-ramped multi-story distribution center strategically located at the port of Osaka. Completed in 2016, this facility is four stories tall and has a GFA of 125,813 sq.m.



Bucheon (Korea) (owned by a fund managed by us) is a prime infill ramped multi-story distribution center located in Bucheon, Gyeonggi. Completed in 2018, this facility has a GFA of 304,916 sq.m.

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The table below summarizes the GFA and number of properties for development completions during the Track Record Period:

	As of December 31,						As of June 30,	
	2016		2017		2018		2019	
	(sq.m in thousands)	Number of properties	(sq.m in thousands)	Number of properties	(sq.m in thousands)	Number of properties	(sq.m in thousands)	Number of properties
Development completion of on-balance sheet properties								
The PRC	40.4	1	206.4	1	88.2	2	22.5	1
Australia	—	—	—	—	9.2	1	10.9	2
Total	40.4	1	206.4	1	97.4	3	33.4	3
Development completion of properties held by funds and investment vehicles we manage								
The PRC	97.6	1	661.4	7	257.6	5	272.0	4
Japan	239.7	4	269.8	4	382.1	3	205.2	1
South Korea	—	—	205.4	1	449.5	5	199.7	1
India	—	—	—	—	9.9	1	—	—
Total	337.3	5	1,136.6	12	1,099.2	14	676.9	6

The following table sets forth details of the development properties held on our balance sheet by geographic location as of the dates indicated:

Property	Location	Status	Expected year of completion	September 30, 2019				June 30, 2019				Interest held by our Company
				Land area	GFA	Total Valuation ⁽⁴⁾	Land area	GFA	Total estimated development cost ⁽⁵⁾	Development cost incurred		
				(sqm)	(sqm)	(US\$ in millions)	(sqm)	(sqm)	(US\$ in millions)			
The PRC												
Wuhan Minglong	Wuhan	Land	N/A ⁽³⁾	1,804,859	1,710,566	454.9	1,568,578	1,499,802	736.4	282.6		100%
Chongqing Yongxiang	Chongqing	Under Construction	2019	102,282	61,534	9.4	102,282	61,534				100% ⁽⁶⁾
Shanghai Yurun	Shanghai	Under Construction	2020	266,037	148,115	68.8	266,037	148,115				74%
Changsha Yizhu—II	Changsha	Under Construction	2020	260,026	342,787	155.6	260,026	342,787				100%
Fenhu Quansheng	Zhejiang	Under Construction	2019	67,896	67,366	27.6	67,896	67,366				55%
Jilin Daling	Jilin	Under Construction	2019	39,840	24,722	9.6	39,840	24,722				100%
Qingyuan Anqing	Qingyuan	Land	2020	147,750	94,403	58.0	147,750	94,403				90% ⁽⁷⁾
Shanghai Yisi	Langfang	Land	2021	53,334	65,736	9.7	53,334	65,736				100%
Pinghu Dushangang	Zhejiang	Land	2021	100,000	245,571	15.9	100,000	245,571				100%
Wenzhou Ruian	Zhejiang	Under Construction	2020	86,667	129,173	20.6	86,667	129,173				100%
Jiangnan Chuantian	Shanghai	Under Construction	2020	33,333	35,815	20.2	33,333	35,815				100%
Langfang Hengjia	Langfang	Land	2021	66,638	82,064	12.4	66,638	82,064				100% ⁽⁸⁾
Fujian Pingfu	Fujian	Land	2020	168,782	94,634	10.3	168,782	94,634				100%
Wuhan Denso ⁽¹⁾	Wuhan	Land	2020	61,911	38,464	3.1	N/A	N/A				100%
Jiaxing Haiming ⁽¹⁾	Jiaxing	Land	2021	85,371	103,006	4.7	N/A	N/A				100%
Guangdong Jieyang ⁽¹⁾	Jieyang	Land	2021	88,999	69,294	9.9	N/A	N/A				100%
Japan				293,273	875,123	748.6	293,273	875,123	1,390.2	503.1		
RW Higashi-Ogishima DC PH1 ⁽²⁾	Tokyo	Under Construction	2022	77,723	310,670	239.9	77,723	310,670				70%
RW Higashi-Ogishima DC PH2 ⁽²⁾	Tokyo	Under Construction	2024	66,116	264,453	183.2	66,116	264,453				70%
ESR Sachiura 2A DC	Tokyo	Land	N/A	149,434	300,000	159.0	149,434	300,000				100%
ESR Sachiura 2B DC	Tokyo	Land	N/A			166.5						100%
Australia				184,830	35,870	48.4	184,830	35,870	60.8	5.9		
Lane Cove	New South Wales	Land	N/A	N/A	N/A	6.0	N/A	N/A				92%
Bringelly Business Park (CFC Group and Steel Force)	New South Wales	Under Construction	2019	44,397	18,363	14.0	44,397	18,363				92%
Berrinba	Queensland	Land	N/A	41,781	N/A	5.2	41,781	N/A				92%
Yatala	Queensland	Land	N/A	26,116	N/A	3.9	26,116	N/A				92%
Willawong	Queensland	Land	N/A	61,426	N/A	10.3	61,426	N/A				92%
Wellington Rd	Victoria	Under Construction	2020	11,110	17,507	9.1	11,110	17,507				46%
India				607,374	346,411	15.1	607,374	346,411	130.5	11.3		
Mumbai 2	Mumbai	Under Construction	2021	183,716	116,499	1.2	183,716	116,499				100%
Kolkata	Kolkata	Land	2021	47,708	30,658	1.4	47,708	30,658				82%
Palava	Mumbai	Land	2022	375,950	199,253	12.5	375,950	199,253				59%

Notes:

- We acquired these properties post June 30, 2019.
- We plan to dispose of RW Higashi-Ogishima DC to a new development fund and thereafter commence redevelopment of the property in two phases, starting in the second quarter of 2020.

- (3) Completion date for Wuhan Minglong is not yet available as we have yet to determine a final construction plan.
- (4) Balance sheet properties that we held in the PRC were valued by Beijing Colliers International Real Estate Valuation Co., Ltd. Balance sheet properties that we held in Japan were valued by Cushman & Wakefield K.K. See the property valuation report included in Appendix VI to this Prospectus for more information. Valuation reports for certain Australian and PRC properties listed in this table have not been included in Appendix VI to this Prospectus in accordance with Chapter 5 of the Listing Rules.
- (5) Estimated development costs reflect our good faith estimates of such costs, and actual development costs incurred may differ from such estimates.
- (6) Our subsidiary currently holds 50% of the registered capital of Chongqing Yongxiang and will acquire the remaining 50% by May 2023 for RMB130 million (approximately US\$18.3 million) in accordance with the agreement between the shareholders.
- (7) We subsequently increased our interest in Qingyuan Anqing to 95% in August 2019 through purchase from a third-party shareholder.
- (8) We acquired 100% interest in Fujian Pingfu in March 2019 and subsequently reduced our interest in Fujian Pingfu to 90% in September 2019 through share allotment to a third-party shareholder.

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The RW Higashi-Ogishima DC property generated an income of JPY811.7 million (approximately US\$7.5 million) for the six months ended June 30, 2019. We intend to dispose of the property to a new development fund. Thereafter, we plan to redevelop the property starting in the second quarter of 2020 in two phases in order to minimize the impact of the development process on income generated from the property.

The following table sets forth details of the development properties held by our joint ventures and other funds and investment vehicles we managed as of June 30, 2019:

	<u>Number of properties</u>	<u>Total GFA (sq.m in thousands)</u>	<u>Interest held by our Company⁽¹⁾</u>
Joint ventures			
e-Shang Star Cayman Limited (PRC)	9	782.0	25.6%
—Properties under construction	4	344.2	
—GFA on land held for future development	5	437.9	
Sunwood Star Pte. Ltd (South Korea)	11	1,173.3	20.0%
—Properties under construction	7	629.5	
—GFA on land held for future development	4	543.9	
ESR India Logistics Fund Pte. Ltd. (India)	4	446.3	100.0% ⁽²⁾
—Properties under construction	3	307.6	
—GFA on land held for future development	1	138.7	
Other funds and investment vehicles			
The PRC	5	549.5	2.3%
Japan	8	1,003.5	9.6%
Australia	1	14.7	15.0%

Note:

- (1) For other funds and investment vehicles, the percentage interest held by our Company is calculated on a weighted average basis by reference to the GFA of the properties held under the applicable funds and investment vehicles.
- (2) We are in the process of issuing 50% of the shares in the India Fund to our joint venture partner.

Certain key projects in Japan and Korea held in the development funds include (i) the construction of a modern logistics facility with a GFA of over 360,000 sq.m. and total estimated development cost of over US\$700 million in Amagasaki, Hyogo prefecture of Japan, expected to be completed in March 2020, (ii) construction of a modern logistics facility in the Gimpo area targeting the Infill West market of the Greater Seoul region, with a total GFA of over 137,000 sq.m. and total estimated development cost of over US\$230 million, expected to be completed in the first quarter of 2020, (iii) construction of a modern logistics facility in the City of Anseong targeting the Suburban East market of the Greater Seoul region, with a total GFA of over 150,000 sq.m. and total estimated development cost of over US\$160 million, expected to be completed in the second quarter of 2020, and (iv) construction of a multi-building modern logistics complex in the City of Gwangju targeting the Infill East market of the Greater Seoul region, with a total GFA of over 180,000 sq.m. and total estimated development cost of over US\$280 million, expected to be completed in 2021.

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CIP

The table below summarizes the top five construction projects of CIP by revenue recognized in the six months ended June 30, 2019.

<u>Project</u>	<u>Location</u>	<u>Contract amount</u>	<u>Revenue recognized</u>
		(US\$ in thousands)	
My Chemist W/house-Civil Works	New South Wales	18,739	2,967
Mitre10-Gilmore Rd Dev Profit	Queensland	15,129	5,525
VFS, Drystone Development	Victoria	10,525	8,047
Bringelly Est & Infrst Works	New South Wales	9,651	4,027
Goodman Fielder, Darra Dev	Queensland	4,929	2,355

In the fiscal year ended June 30, 2019, CIP completed 4 construction projects and recognized US\$37.7 million in revenue. Since our acquisition of CIP and up to the end of the Track Record Period, CIP contributed US\$40.7 million to our revenue for the year ended December 31, 2018 and US\$37.7 million to our revenue for the six months ended June 30, 2019, from projects representing total contracted amounts of US\$216.1 million. As of the Latest Practicable Date, CIP has a total of 16 projects either committed or ongoing, 6 of which are estimated to be completed in 2019. As part of our broader business strategy, we intend to leverage CIP's construction capabilities to build logistics facilities in-house for our own balance sheet and the funds and investment vehicles we manage in the future.

Development Process

We have established extensive standards and procedures in connection with the entire development process which are mainly monitored by a sub-committee of our Board, including procedures related to initial project assessment and site selection, land acquisition, project planning and design, project construction, and project monitoring and quality control. Although we typically utilize our in-house capabilities throughout the entire development process, we also engage third party consultants to assist our in-house teams in the project assessment, site selection, construction and property management process and occasionally in the leasing process. We also follow extensive standards in connection with our redevelopment projects, including procedures related to initial project assessment, property acquisition, project planning and design, project construction, and project monitoring and quality control.

Project Assessment and Site Selection

We assess several factors when conducting research in a target market, including the following:

- macro-economic indicators, local industry structure, demographics, purchasing power and consumption pattern, maturity of local logistics facilities market and competitive landscape;
- state of development in the region, supporting infrastructure, distance to city centers, transportation connectivity, local government policy and track record; and
- geographical characteristics and price of the target land to be acquired.

We also conduct feasibility studies on potential projects for development by evaluating key indicators such as:

- development potential of the project, potential tenants and expected rent and leasing timeline;

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- cost of development;
- source and costs of financing; and
- potential investment return.

We regularly hire third-party consultants to assist our in-house teams in the project assessment and site selection process to perform, among other things, environmental due diligence, engineering due diligence, land surveys and market research.

Land Acquisition

Set forth below are the major procedures we carry out during the land acquisition stage:

- our local teams actively communicate with the local government or the private landowner with regard to the land acquisition process and undertake site visits and carefully review indicative terms of the investment agreements in connection with the property development project;
- a subcommittee of our board reviews and approves the acquisition plan and principal terms of the investment agreement; and
- we acquire land in both primary and secondary transactions and participate in public tenders, auctions and listing-for-sale processes to acquire the land, as applicable.

Substantially all of our logistics properties in Japan, South Korea and Australia are held on freehold land. Substantially all of our logistics properties in India are under long term lease agreements with the Indian government that convey land use rights and the right to derive profit from the use of the property. Substantially all of our logistics properties in the PRC are held under long-term land use rights granted by the PRC Government that convey the right to derive profit from, and dispose of, the property and the land use rights. All of our logistics properties in Singapore are held on land leased from Singapore government agencies for varying tenures.

Project Planning and Design

We have established a comprehensive project design process that aims to satisfy the requirements of modern logistics facilities. We have also established specific design guidelines for logistics facilities that suit the different climates across APAC, with logistics facilities tailored for cold chain logistics services and multi-floor logistics facilities designs. We believe this standardized project design approach enhances the scalability of our business model as well as our ability to control the quality and costs of our logistics facilities.

Project Construction

We hire third-party contractors to undertake the construction of properties, and we manage the construction through our local construction management department, with the exception of our business in Australia since our acquisition of CIP in August 2018 which has in-house construction capabilities. Our construction management department reviews the key parameters for our project construction process, sets the evaluation criteria and sets out the main responsibilities of each project company. Our construction management department establishes the scope of centralized procurement and supply, delivery standards, construction standards and quality control specifications. Our construction management department oversees the day-to-day construction process carried out by our contractors.

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Project Monitoring and Quality Control

We establish a budget for each project at the project company level, which is reviewed by senior management and ultimately approved by a subcommittee of our board. We develop a master plan for each project in order to monitor construction progress and to have better control over the entire development process. We have also established standard quality control measures and require our contractors to adhere to construction drawings and plans. Our construction management department carries out regular inspections at our construction sites in order to maintain strict quality standards.

In addition, the sub-committee of our Board mentioned above will also evaluate and carry out our investment strategy, strategic initiatives, and financing needs of various projects and our operations.

Fund Management

Through our fund management platform, as of June 30, 2019, we managed 30 private third-party investment vehicles across APAC and two publicly listed REITs in Singapore, and we had a total of 30 capital partners. Our Fund AUM increased by 66.2% from US\$6.5 billion as of December 31, 2016 to US\$10.8 billion as of December 31, 2017, further by 30.6% to US\$14.1 billion as of December 31, 2018 and further by 24.7% to US\$17.6 billion as of June 30, 2019. As of June 30, 2019, total equity commitment in the funds and investment vehicles we managed was US\$6.3 billion, of which US\$4.3 billion was invested, with a further US\$2.0 billion of uncalled capital to be deployed. As of June 30, 2019, we were responsible for approximately US\$382.2 million of this uncalled capital due to our co-investments.

We earn fee income from managing the underlying assets on behalf of our capital partners through the funds and investment vehicles we manage. Our fees include base management fees, asset management fees, acquisition fees, development fees and leasing fees. We also participate in a disproportionate share of profits through promote upon exceeding a pre-determined target IRR and after our capital partners have received their targeted capital returns. The funds and investment vehicles we manage vary in risk profiles from private opportunistic development strategies to private core/core-plus income producing strategies and a publicly listed REIT. Our management platform offers a variety of products across the spectrum of both risk and liquidity in order to attract broad sections of the global investor universe, gives us the ability to manage the underlying assets across the development cycle and provides us with an efficient platform for recycling our own capital through the disposal of properties held on our balance sheet to the funds and other investment vehicles we manage or to third parties.

The table below summarizes the aggregate number, Fund AUM, equity capital commitment and uncalled capital of the funds and investment vehicles we managed as of the dates indicated:

	As of December 31,			As of
	2016	2017	2018	June 30,
	2019			
	(\$ figures are in US\$ millions)			
Aggregate number of funds	17	18	19	32
Fund AUM	\$6,495	\$10,825	\$14,077	\$17,578
Equity capital commitment	\$3,141	\$ 4,229	\$ 5,108	\$ 6,308
Uncalled capital	\$1,470	\$ 1,628	\$ 1,803	\$ 1,990

Overview of Funds and Investment Vehicles

We categorize the funds and investment vehicles we manage into: (i) development funds; and (ii) core/core-plus funds and REITs.

- Our development funds are private real estate funds that invest in opportunistic and strategic investments such as greenfield or brownfield developments and which may entail higher risks but offer the potential for greater returns.
- Our core/core-plus funds and REITs include private real estate funds and two REITs. These funds typically have a lower risk profile than our development funds and focus on increasing yields and returns through the acquisition of properties with stable incomes that are yield-accretive and which offer potential for growth through asset enhancement and/or an active leasing strategy. Our core-plus funds may also invest in value-add opportunities, such as redevelopments of existing structures, that have higher income growth potential but still have lower risk profiles than ground-up developments.

The table below summarizes the funds and investment vehicles we managed as of June 30, 2019:

Investment vehicle by geographic focus	Inception date	Commitment period ⁽¹⁾	Capital commitments ⁽²⁾ (US\$ in millions)	Uncalled capital (US\$ in millions)	Fund AUM ⁽³⁾ (US\$ in millions)	GFA (thousand sq.m)	Category	Interest held by our Company	Investment focus
The PRC:									
e-Shang Star Cayman Limited*	5/2014	3 years ⁽⁴⁾	863.3	181.3	1,734.7	2,087.8	Development	%	Develop and invest in modern logistics facilities in the PRC
Redwood China Logistics Fund Limited Partnership	7/2012	3 years	440.0	1.5	685.4	1,229.1	Development	2.3	Develop and invest in a diversified portfolio of distribution and logistics facilities in mainland China focusing on key ports and infrastructure hubs in Tier 1 and 1.5 cities
China Invesco Core Fund*	10/2017	N/A	190.0	—	325.7	370.9	Core	16.3	Manage and invest in lower-risk, long-term yielding modern logistics facilities in the PRC
NCI Core Fund	1/2019	N/A	163.7	—	274.9	325.4	Core	10.0	Manage and invest in long-term yielding modern logistics facilities in the PRC
Japan:									
Redwood Japan Logistics Fund II Limited Partnership	3/2016	3 years	581.0	108.2	1,269.7	777.0	Development	0.0 ⁽⁷⁾	Develop and invest in real estate used primarily for industrial, warehousing and logistics purposes located in the recognized industrial submarkets of Greater Tokyo (with a focus on the Tokyo Bay area), Greater Osaka and Nagoya
Japan Core Fund*	12/2018	N/A	392.2	—	1,011.6	420.6	Core	17.0	Manage and invest in long-term yielding modern logistics facilities in Japan
RJLF III	6/2019	4 years	698.6	643.3	1,707.6	196.6	Development	20.0	Invest in the development of large-scale, state-of-the-art logistics facilities in the largest metropolitan areas of Japan
Other investment vehicles ⁽⁵⁾⁽⁶⁾	Various	Various	953.5	254.8	2,940.7	840.1	Development	Various	Develop and invest in selected development real estate used primarily for industrial, warehousing and logistics purposes located in the recognized industrial submarkets of Greater Tokyo (with a focus on the Tokyo Bay area), Greater Osaka and Nagoya
South Korea:									
Sunwood Star Pte. Ltd*	11/2015	3 years ⁽⁴⁾	1,000	345.4	2,417.8	1,773.7	Development	20.0	Develop and invest in modern logistics facilities located in the Seoul and Busan Metropolitan Areas with the potential to consider other regions on a case-by-case basis
South Korea Core Fund*	7/2018	N/A	500	296.1	1,174.1	353.8	Core/Core-plus	10.0	Develop and invest in modern logistics warehouses in South Korea to create a “best-in-class” logistics properties portfolio, with focus on the Seoul and Busan Metropolitan Areas with the potential to consider other regions on a case-by-case basis
TE Logis ⁽⁸⁾	N/A	N/A	N/A	N/A	31.6	26.3	N/A	0.0	N/A
Singapore:									
ESR-REIT	2006	N/A	N/A	N/A	2,227.8	1,310.0	REIT	8.9	Invest in income-producing real estate and real estate related assets in Singapore used primarily for industrial, warehousing and logistics purposes.
Sabana REIT	2010	N/A	N/A	N/A	644.2	380.0	REIT	21.4	Invest in income-producing real estate for industrial purposes and real estate-related assets

Investment vehicle by geographic focus	Inception date	Commitment period ⁽¹⁾	Capital commitment ⁽²⁾ (US\$ in millions)	Uncalled capital (US\$ in millions)	Fund AUM ⁽³⁾ (US\$ in millions)	GFA (thousand sq.m)	Category	Interest held by our Company	Investment focus
Australia:									
PEP	8/2016	7 years	32.1	—	62.8	47.2	Core-plus	%	Invest in a diversified portfolio of Australian assets adopting a value add strategy through active asset management
50 Ann PEP	5/2017	7 years	61.9	—	114.3	25.5	Core-plus	25.0	Invest in a single Australian CBD office asset adopting a value add strategy through active asset management
PAIP II	9/2015	6 years	99.2	—	226.1	194.9	Core-plus	17.1	Invest in Australian logistics assets with a focus on active asset management through lease renewals and targeted capital expenditure to enhance income
PCII	11/2015	5 years	9.8	—	22.8	9.6	Core	7.5	Invest in a new long WALE core logistics asset in Australia
POP III	2/2019	4 years	41.6	—	88.0	20.0	Core-plus	11.2	Invest in a portfolio of Sydney Metro office assets with a focus on active asset management through targeted capital expenditure and leasing
PACT	12/2017	5 years	54.0	—	137.7	14.7	Core-plus	15.0	Invest in a single North Sydney office asset, deploying a substantial repositioning and leasing strategy
India:									
India Fund*	11/2018	4 years	228.0	159.3	480.8	508.5	Development	100 ⁽⁹⁾	Invest in investment-grade logistics, distribution and light industrial properties in major economic centers in India
Total of all funds			<u>6,308.4</u>	<u>1,989.9</u>	<u>17,578.3</u>	<u>10,911.9</u>			

Notes:

- * Indicates that the investment vehicle is set up as a joint venture. Each of our other investment vehicles, with the exception of our separate accounts and ESR-REIT, are set up as limited partnerships in which we hold both GP and LP interests.
- (1) Commitment period generally refers to the period of time after a closing during which capital can be called from investors to fund new investments, which may be extended upon agreement by the manager and investors from time to time. The core/core-plus funds we manage do not have fixed commitment periods as capital is typically fully invested at the outset of our core/core-plus funds and investment vehicles. However, the investors under the core/core-plus funds and investment vehicles we manage may be obligated to make follow-on investments from time to time if required to support existing investments.
 - (2) The commitment represents the aggregate capital commitments to the fund or investment vehicle, as applicable, including capital commitments by third-party investors and the general partner or investment manager. Foreign currency commitments have been converted into U.S. dollars based on: (i) the foreign exchange rate at the date of purchase for each investment; and (ii) the exchange rate that prevailed on June 30, 2019, in the case of uncalled commitments.
 - (3) The target leverage ratio of the funds and investment vehicles we manage typically ranges between 50% to 65%, depending on the market of the underlying properties and the fund type.
 - (4) From November 2017.
 - (5) We manage 14 other investment vehicles which generally have fewer (typically one to three) investors.
 - (6) We have effected the transfer of 50% of the interest in a logistics property in Japan, which was held jointly by two of our development funds, to a private REIT that we currently wholly-own.
 - (7) We hold minority interests in certain other funds and investment vehicles which co-invest alongside Redwood Japan Logistics Fund II Limited Partnership, which results in us effectively owning various minority interests in the underlying properties.
 - (8) TE Logis is a single property for which we act as an asset manager for a third party. The property management fees that we earn from this property are booked as management fee income.
 - (9) We are in the process of issuing 50% of the shares in the India Fund to our joint venture partner.

Fund Structures

Private Real Estate Funds

Investors in our private real estate funds typically commit capital upon their subscription for interests in the fund, which is then drawn down periodically as investment opportunities arise, typically over a commitment period of three to four years in the case of our development funds and investment vehicles, which may be extended upon agreement by the manager and investors from time to time. After the commitment period, profits are returned to investors as investments are realized through the sale of such investments to our other funds and investment vehicles or to third parties, generally over three to five years. Our core/core-plus funds and investment vehicles do not have fixed commitment periods as capital is typically fully invested at the outset of our core/core-plus funds and investment vehicles. However, the investors under the core/core-plus funds and investment vehicles we manage may be obligated to make follow-on investments from time to time if required to support existing investments.

As the manager of the private real estate funds, we are responsible for the management of the funds' investment portfolio. We actively source real estate deals through our network and manage the investment process. We aim to add value through active management of the assets owned by the funds. We also seek opportunities to divest a fund's investments upon stabilization of the underlying assets in order to maximize IRR.

We invest a portion of our own capital in funds that we set up in order to align our interests with investors. In the case of funds we set up as limited partnerships, we typically invest through an affiliate of the GP. In the case of funds we set up as corporate vehicles such as joint ventures, we typically invest as a shareholder. We determine the level of our own capital commitments based on a variety of factors, including estimates regarding our liquidity over the relevant time period, the amounts of capital that may be needed for other funds and our general working capital requirements.

As of June 30, 2019, we managed a total of 30 private real estate funds and investment vehicles, 20 of which were development funds and 10 of which were core/core-plus funds. The total equity commitment in these private real estate funds and investment vehicles amounts to US\$6.3 billion. As of June 30, 2019, a total of US\$4.3 billion had been called from these private real estate funds, representing 68.0% of the total equity commitment. As of June 30, 2019, our private real estate funds had a total AUM of US\$14.7 billion. We are the developer, asset and investment manager and retain a stake up to 50.0% in each private real estate fund.

Public Real Estate Funds—ESR-REIT and Sabana REIT

ESR-REIT is a Singapore-based REIT, principally investing directly or indirectly in income-producing real estate and real estate related assets in Singapore used primarily for industrial, warehousing and logistics purposes. ESR-REIT was listed on the SGX-ST on July 25, 2006. Through the successful acquisition of the ESR-REIT Manager in 2017, through which we manage ESR-REIT, we have broadened our APAC presence with an established REIT management team in Singapore. The transaction has also created an attractive capital recycling vehicle for us, as we now have the ability to inject stabilized assets from the funds and other investment vehicles we manage into ESR-REIT, subject to the relevant listing rules of SGX-ST, and as a result realize development gains on our balance sheet.

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As of June 30, 2019, ESR-REIT had a diversified portfolio of 56 properties located across Singapore consisting of business parks, high specification industrial properties, logistics facilities and light industrial facilities. ESR-REIT's portfolio has aggregate appraised carrying value of approximately SGD3.0 billion (approximately US\$2.2 billion), a total GFA of approximately 14.0 million square feet (approximately 1.3 million sq.m) as of June 30, 2019. As of June 30, 2019, we had an interest of approximately 9.0% in ESR-REIT as a result of our ownership of 299,415,239 units in ESR-REIT and manage all of its assets as ESR-REIT's property and asset manager.

The key objectives of the ESR-REIT Manager are to deliver secure and stable distributions to unitholders and to achieve long-term growth in net asset value per unit in order to provide unitholders with a competitive rate of return for their investment.

The ESR-REIT Manager's strategies to achieve these objectives include:

- proactively managing ESR-REIT's property portfolio to maximize returns;
- selectively acquiring properties that meet its investment criteria and enhance unitholders' value;
- divesting non-core properties; and
- adopting prudent capital and risk management strategies.

In May 2018, ESR-REIT entered into an agreement with VIT, pursuant to which ESR-REIT agreed to acquire all the issued and paid-up stapled securities of VIT held by the stapled securityholders of VIT by way of a trust scheme of arrangement for a consideration of SGD936.7 million (approximately US\$683.0 million). VIT is a Singapore-focused business park and industrial property stapled group. The principal investment strategy of VIT is investing in a diversified portfolio of income-producing real estate predominantly for business parks and other industrial purposes in Singapore and elsewhere in APAC. The VIT Merger took effect on October 15, 2018. Following the completion of the VIT Merger, we continue to manage the assets of the enlarged ESR-REIT as its property and asset manager.

Upon the completion of the Sabana Manager Acquisition and the Sabana REIT Investment, we indirectly held approximately 93.8% equity interest in Sabana Manager and approximately 21.2% of the total issued units in Sabana REIT. Sabana Manager is a company incorporated in Singapore and is the fund manager of Sabana REIT. Sabana REIT has a diversified property portfolio valued at SGD872.2 million (approximately US\$636.0 million) as of June 30, 2019, comprising 18 properties strategically located across Singapore. Sabana REIT primarily invests in income-producing real estate used for industrial purposes and real estate-related assets. Its portfolio comprises quality industrial buildings in four main industrial property segments: high-tech industrial park, warehouse and logistics, chemical warehouse and logistics as well as general industrial. For further details, please refer to the section headed "History, Development and Corporate Structure—Major Acquisitions and Mergers—Sabana Manager Acquisition and Sabana REIT Investment" in this Prospectus.

Fund Management Fees

We receive management fees in exchange for our management services. These management fees are paid either by the funds and investment vehicles or the project companies held by these funds and investment vehicles, using the capital contributed from the investors and/or the sale proceeds from

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the investments. Our management fees include base management fees, asset management fees and development fees, which are recognized over time, and acquisition fees and leasing fees, which are recognized at a point in time when such transactions occur. We also participate in a disproportionate share of profits through a promote upon exceeding a pre-determined target IRR and after our capital partners have received their targeted capital returns. We earn more fees as we source new development opportunities, develop and dispose of assets from our balance sheet and from our development funds and investment vehicles, and expand our fund management platform. Below is summary of the various fees we receive from the funds and investment vehicles we manage, which may be subject to certain fee rebates and discounts pursuant to side agreements with certain of our capital partners. For example, some side agreements include discounts to management fees chargeable or one-off rebates in the event of a budget overrun, as well as limited sharing of management fees if certain capital partners introduce new capital partners to the funds or investment vehicles managed by us.

Base Management Fees

We earn recurring base management fees from providing investment management services to the funds and investment vehicles we manage. Base management fees for our private real estate funds generally range from 1% to 2% per annum of committed or invested capital during the fund's commitment period and are generally 1% to 2% per annum of invested capital after the expiration of the fund's commitment period with subsequent reductions in fee percentages over time as investments are sold. Therefore, the percentage level of base management fees we earn depends almost exclusively on the percentage we are able to negotiate with our capital partners.

Asset Management Fees

We earn recurring asset management fees from providing asset management services in respect of the underlying assets held by the funds and investment vehicles we manage. Asset management fees for our private real estate funds are typically around 1% per annum of invested capital or 0.5% per annum of gross asset value of the properties owned by the relevant funds.

Development Fees

We earn project development fees for each property we develop to completion in our development funds. Development fees typically range from 4% to 5% of the total cost of the construction and development of the properties, excluding land costs and financing costs.

Acquisition Fees

We earn acquisition fees per transaction from the acquisition of land and properties. Acquisition fees typically range from 1% to 1.75% of the cost of land for land acquisitions and 0.5% to 1.75% of the cost of properties for property acquisitions.

Leasing Fees

We earn leasing fees on a transactional basis on new leases or renewal of leases on the properties held in the funds and investment vehicles we manage. Leasing fees typically range from 1 to 2.5 months of average rental, depending on lease term.

Promote

In addition to the profits allocable to us in proportion to our share of ownership in the funds and investment vehicles we manage, as the general partner to the funds managed by us and structured as limited partnerships and as the investment manager to the investment vehicles managed by us and structured as joint ventures, we are typically entitled to a promote, which allocates to us a disproportionate share of profits, upon exceeding a pre-determined target IRR for our investors. The promote is typically structured as a distribution waterfall such that we would share 10% to 37.5% of the net profits realized by the investors depending on the IRR achieved, subject to an initial performance hurdle which requires that investors receive an IRR of 8% to 12% in most of our funds. In 2018, the first year we began to recognize promote income, we recognized US\$8.5 million in promote income. For the six months ended June 30, 2019, we recognized US\$1.7 million in promote income.

Management of Funds and Investment Vehicles

As of June 30, 2019, we had more than 30 employees dedicated to our fund management business. The funds and investment vehicles we manage have different structures depending on the profile of our capital partners, the investment restrictions of our funds and investment vehicles, the nature of the project (i.e. target return, equity funding requirements, costs, timing, diversification etc.), exit alternatives and tax considerations.

The funds and investment vehicles are structured as limited partnerships or corporate vehicles such that each capital partner's liability is limited to their own capital commitment. The relationship between our affiliate (acting as GP) and the capital partners (each a limited partner) to our funds and investment vehicles is governed by a limited partnership agreement, which sets out the key investment terms (e.g. target IRR, investment restrictions, minimum capital commitments, commitment period, partnership term etc.), together with the rights, duties and liabilities of the partners. We also typically enter into a series of agreements with each of the funds and investment vehicles we manage for the provision of fund management services. These agreements typically include an investment management agreement, as asset management agreement and a project or development management agreement, as applicable. The property investments under each fund and investment vehicle are held and managed under separate project companies that hold the actual property rights.

The GP has overall responsibility for the management, operation and administration of the fund or investment vehicle, as applicable (and for supervising and directing the investment manager and appraising its recommendations). The key responsibilities of the GP include:

- approving funding requests upon decisions to invest by the investment manager;
- maintaining the books and records;
- making distributions to the limited partners;
- entering into any agreements or other arrangements on behalf of the fund or investment vehicle, as applicable; and
- opening and maintaining bank accounts and effecting necessary payments on behalf of the fund or investment vehicle, as applicable.

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As permitted by law, the GP delegates day-to-day operations of the fund or investment vehicle, as applicable, and its portfolio to an affiliate pursuant to an investment management agreement. The key responsibilities of the investment manager include:

- selecting, acquiring, developing and monitoring of projects;
- preparing project budgets, business plans and valuation reports;
- managing the cash and cash flows of the fund or investment vehicle, as applicable;
- advising on the terms, timing and contractual agreements to dispose of projects;
- negotiating and managing all debt financing relating to projects;
- procuring and maintaining insurance for directors and officers and assets; and
- obtaining recommendations on matters that fall outside of the investment restrictions to our funds and investment vehicles.

The GP and investment manager are also directed by an independent advisory committee, comprising representatives from the limited partners of the applicable fund or investment vehicle whose capital commitments exceed a fixed monetary threshold. The advisory committees act by a majority of members and meet as required (in person or via teleconference). The advisory committees typically have authority to, amongst other matters, consider and approve:

- entry into any agreement or arrangement that involves an actual or potential conflict involving the GP, the investment manager and their respective affiliates;
- any amendment to the investment restrictions of the fund or investment vehicle, as applicable;
- any investment that does not comply with the investment restrictions of the fund or investment vehicle, as applicable;
- disposal of any project other than in accordance with the limited partnership agreement;
- any borrowings or incurrence of indebtedness on behalf of the fund or investment vehicle, as applicable, or its project companies, which would result in the agreed loan-to-value ratio not being met;
- any action to create any pledge, charge, lien, mortgage, or other security interest over any asset of the fund or investment vehicle, as applicable;
- any change in the dividend policy of the fund or investment vehicle, as applicable;
- any settlement of legal proceedings involving the fund or investment vehicle, as applicable, that exceeds a fixed monetary threshold; and
- any project budget or business plan or amendment thereof which results in a material change to any item of expense or revenue (i.e. exceeding 10%).

Aside from the specific matters identified in the limited partnership agreement, these advisory committees do not: (i) participate in the management of the business or assets of our funds or investment vehicles; (ii) have any authority or power to take any action on behalf of the funds or investment vehicles; or (iii) have any right to appoint a representative to the board of any project company. However, the GP will cast votes consistent with the advisory committee's direction at the fund or investment vehicle level when voting on the board of any project company.

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The project company also engages a separate ESR affiliate as the asset manager and project manager to provide ‘local’ level services relating to assets in which the fund or investment vehicle, as applicable, has invested. The key responsibilities of the asset manager and project manager include:

- land and acquisition sourcing and providing due diligence for the investment manager for consideration;
- project financing, origination and structuring;
- asset management (e.g. leasing arrangements with third party tenants); and
- development management (e.g. procurement and appointing contractors).

Marketing of Funds

Our capital partner relationships are fundamental to our business. We aim to consistently act with professionalism and integrity toward our capital partners. We have developed a following among many globally significant institutional investors. For example, investment vehicles managed by the APG Group have invested with us in both China and Korea. Also, CPPIB first invested with us in our development fund in South Korea in 2015 and then invested with us in our core fund in South Korea in 2018. We believe investors follow us due to our investment record, our reputation for integrity and the transparency of our fee structures. We continue to develop deep relationships with our capital partners.

We rely on our management and private capital team to generate referrals from existing or former capital partners. We occasionally engage third-party placement agents for sales and marketing with respect to our funds and investment vehicles, but the majority of our capital is generated through internal channels with institutional investors. A principal source of new transactions has been repeat business from prior capital partners and their referral of new leads. We also have several capital partners who have further increased their initial capital commitments with existing funds and investment vehicles in “re-up” arrangements. To best match the most appropriate capital partners for each of the funds and investment vehicles we manage, we target institutional investors that have investment objectives in line with those of the particular fund or investment vehicle for which we seek new investors, which is determined on a case-by-case basis depending on several factors, including, but not limited to, (i) the risk profile, return profile and/or income profile of the fund or investment vehicle, (ii) the geographic focus, (iii) the types of assets targeted, (iv) the amount of investment discretion retained by our Company, and (v) the capital commitments required.

Fund Investment Process

We believe we have established a rigorous investment process and a comprehensive due diligence approach across the funds and investment vehicles we manage as well as comprehensive controls to manage conflicts of interest. Each fund has its own investment criteria, policies, objectives and procedures which generally specify investment requirements, limitations and approval processes, such as the type of real estate asset, sector and geographic focus, leverage limitations and investment strategies, which we believe serves to limit conflicts that could otherwise arise in identifying and allocating investment opportunities. For example, typical investment criteria for our funds and investment vehicles can include, but are not limited to: (i) limitations on investments to specific metropolitan areas, (ii) requirements to invest in modern logistics development projects in the case of a development fund or investment vehicle, or stabilized income-producing properties in the case of a core/core-plus fund or investment vehicle, (iii) minimum occupancy rates for the acquisition of

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existing assets, (iv) minimum GFA, (v) limitations on investment size or concentration, and (vi) target returns, including income yield and IRR, which are typically higher for the development funds and investment vehicles we manage and lower for the core/core-plus funds and investment vehicles we manage. Target IRR for the development funds and investment vehicles we manage range from 13% to 17%, while target IRR for the core/core-plus funds and investment vehicles we manage range from 9% to 13%. We have generally been able to meet or exceed our target returns during the Track Record Period.

Our investment process for our funds and investment vehicles will also be subject to review by our internal audit department which reports to our Audit Committee directly. Our management team and internal audit department work together to monitor the effectiveness of processes and risk control measures. In addition to the terms of the organizational agreements of the funds and investment vehicles we manage, which set forth procedures to resolve conflicts of interest among the Company and the funds and investment vehicles we manage, we have also adopted a conflicts of interest policy that sets forth general principles that supplement the applicable organizational agreements.

The origination of our investments largely comes from opportunities identified by our extensive network comprising our local business teams in the PRC, Japan, South Korea, Singapore, Australia and India, as well as through our relationships with developers, tenants, capital partners, bankers, asset owners and real estate consultants.

Management of Investment Opportunities

For any investment opportunity that we identify, our regional CEO in the relevant country and the respective management team will allocate such investment opportunity based upon the fit with the investment criteria of our funds and investment vehicles. Once an opportunity is submitted to the relevant fund manager, it will be evaluated by the relevant investment committee and such committee will decide whether to accept or reject such opportunity. For any investment opportunities that do not fit the investment objectives and criteria for any of our funds or investment vehicles, or that are not accepted by the investor advisory committee of any of the funds or investment vehicles we manage, we will make the decision of whether to invest in such opportunity solely on our own balance sheet pursuant to our group strategy in each of the countries where we operate. The final decision is made by a committee designated by our Board of Directors including certain executive Directors and senior management members. In practice, we generally do not have overlapping fund mandates with similar strategies or investment criteria in order to minimize conflicts over deal allocation. Nevertheless, we take great care to ensure that investment opportunities are allocated fairly and equitably among the funds and investment vehicles we manage in accordance with our contractual and fiduciary obligations to them. Our conflicts of interest policy sets forth general investment allocation principles that supplement the organizational agreements of the funds and investment vehicles we manage, which cover issues arising from parallel vehicles, predecessor and successor funds, co-investments and strategic investors, and investments away from existing funds.

While our funds generally do not have overlapping mandates, prior to closing on an investment for which more than one fund or investment vehicle is eligible to participate, a committee designated by the Board of Directors will, in consultation with the investment managers, provide a memorandum to the investment managers that explains the rationale for the final investment allocation. The committee will also address the investment objectives of the funds or investment vehicles in question, the capital commitments available for investment by each fund or investment vehicle in question, any

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individual allocation rights granted to specific investors and the basis for the allocation recommended to the investment managers. After review, the investment managers will determine whether to apply the allocation suggested by the committee or if any adjustments should be made. Any such departures will be further determined by a committee designated by the Board of Directors.

Management of Conflicts of Interest

Because we provide asset management and development services to all the funds and investment vehicles we manage and acquire and sell assets as part of our business model, conflicts of interest arise from time to time. In general, the organizational agreements for each of the funds and investment vehicles we manage contain pre-agreed procedures for managing or obtaining investor consent for conflicts of interests. In order to manage such conflicts, each of the funds and investment vehicles that we manage have either investment committees or investor advisory committees or both, made up of representatives appointed by us and by capital partners in such relevant funds and investment vehicles. Such investment committees or investor advisory committees have approval rights on certain pre-agreed reserved matters and conflicts of interest matters on the terms set out in the applicable organizational agreements. When there is a transaction or any other issue where our Company has any actual or potential conflict of interest, our representatives recuse themselves from the vote.

Our Board of Directors has adopted a conflicts of interest policy and has designated a sub-committee that helps to manage conflicts of interest within the Company. Pursuant to our conflicts of interest policy, when an investment manager determines there is a conflict of interest, such manager must: (i) comply with the relevant provisions of the applicable organization agreements, together with all applicable laws and regulations; (ii) bring to the attention of the sub-committee of the matter identified giving rise to such conflict of interest; (iii) either avoid the transaction giving rise to such conflict of interest or refer such matter to the advisory board/committee or board of directors of the relevant fund or investment vehicle and obtain the necessary approval; and (iv) confirm with concurrent approval of the sub-committee that any such conflicts of interest have been resolved.

From time to time and in accordance with our overall business strategy, we may undertake a sale or transfer of certain assets from our own balance sheet to a fund or investment vehicle we manage, or from one fund or investment vehicle to another fund or investment vehicle, where we act as an adviser on both sides. In such a situation, in addition to the procedures described above and subject to the terms of all applicable organizational agreements, our conflicts of interest policy sets forth additional measures, including independent third-party valuations, limited partner consent and recusal of Company representatives, in order to manage any potential conflicts of interest that may arise in these transactions. In appropriate circumstances, the sub-committee may establish information barriers and additional conflict clearance procedures to ensure the proper management of conflicts of interest and that clients' interests are preserved at all times. The relevant fund or investment vehicles may also be represented by separate external legal counsel.

Investment

Our investment segment is divided into three main categories: (i) completed properties that we hold on our balance sheet, from which we derive total return, including rental income and appreciation in value; (ii) our co-investments in the funds and investment vehicles and the REIT we manage, from which we derive dividend income, pro rata earnings and/or pro rata value appreciation; and (iii) other

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investments, including our minority equity stakes in other companies, such as our 13.7% stake in CNLP as of June 30, 2019, a major logistics infrastructure and service provider in the PRC which had 150 logistics facilities in operation in 32 logistics parks with a total GFA of 4.6 million sq.m in 16 provinces or centrally administered municipalities across the PRC as of December 31, 2018.

We use our strong balance sheet to acquire and own assets that have attractive risk-reward profiles and capture opportunities which may not fit the current investment criteria of our funds, and which may be used to seed future funds that we may establish. We are able to develop properties without the need to source equity for every individual project and can warehouse properties on our balance sheet if needed. This provides attractive visibility to prospective capital partners and is an important advantage of our platform, which facilitates faster fundraising and enables us to realize development profits. Additionally, our investments in properties through our co-investments in the funds and investment vehicles we manage allow us to align our interests with those of our capital partners.

Balance Sheet Properties

The following table summarizes the completed investment properties held on our balance sheet by geographic location as of the dates indicated. Completed investment properties held on our balance sheet accounted for 10.4% of the Portfolio Assets by GFA as of June 30, 2019.

Property	Location	Year completed or acquired	September 30, 2019		June 30, 2019			Interest held by the Company
			GFA	Valuation ⁽¹⁾	GFA	Occupancy rate	WALE ⁽²⁾	
			(sq.m)	(US\$ in millions)	(sq.m)			
The PRC								
Jiangsu Friend—I	Jiangsu	2011	135,081	130.8	135,081	99%	3.4	100%
Jiangsu Friend—II	Jiangsu	2013	85,508	83.0	85,508	100%	4.3	100%
Langfang Weidu	Hebei	2013	71,687	65.0	71,687	100%	2.5	100%
Dongguan Machong	Guangdong	2014	85,066	84.7	85,066	100%	1.9	100%
Dongguan Hongmei	Guangdong	2014	62,343	53.5	62,343	100%	5.6	100%
Tianjin Fanbin	Tianjin	2014	106,616	90.3	106,616	100%	1.7	100%
Guangzhou Mingyue—I	Guangdong	2014	37,094	58.7	37,094	100%	5.4	58.5% ⁽³⁾
Dongguan Hongmei—Mingfeng	Guangdong	2016	40,383	34.1	40,383	100%	3.9	100%
Jiangsu Friend—III	Jiangsu	2017	206,418	167.4	206,418	100%	3.6	100%
Guangzhou Mingyue—II	Guangdong	2018	13,735	22.5	13,735	100%	5.4	58.5% ⁽³⁾
Tianjin Fanxin	Tianjin	2018	75,427	65.5	75,427	100%	1.8	90%
Shenyang Yibei	Shenyang	2018	74,442	45.2	74,442	50%	1.5	100%
Wuxi Lekun	Wuxi	2019	89,116	69.1	89,116	100%	5.5	100%
Changsha Yizhu—I	Changsha	2019	22,475	17.6	22,475	62%	4.8	100%
Shanghai WGQ	Shanghai	2019	14,265	15.7	N/A ⁽⁴⁾	N/A ⁽⁴⁾	N/A ⁽⁴⁾	100% ⁽⁴⁾
Japan								
Kawajima	Tokyo	2017	39,762	82.0	N/A ⁽⁴⁾	N/A ⁽⁴⁾	N/A ⁽⁴⁾	100% ⁽⁴⁾
Australia								
Wetherill Park 1	New South Wales	2015	18,060	24.8	18,060	100%	4.7	92.2%
Laverton North	Victoria	2015	25,639	10.9	25,639	100%	3.3	92.2%
Northmead	New South Wales	2014	5,660	9.7	5,660	87%	3.7	92.2%
Campbellfield	Victoria	2014	16,620	16.7	16,620	100%	5.5	92.2%
Macquarie Park	New South Wales	2014	12,597	65.2	12,597	99.7%	2.5	92.2%
Wacol 1	Queensland	2014	13,636	16.6	13,636	100%	2.0	92.2%
Wetherill Park 2	New South Wales	2014	11,854	16.5	11,854	100%	1.7	92.2%

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Property	Location	Year completed or acquired	September 30, 2019		June 30, 2019			Interest held by the Company
			GFA	Valuation ⁽¹⁾ (US\$ in millions)	GFA	Occupancy rate	WALE ⁽²⁾	
			(sq.m)		(sq.m)			
Frenchs Forest 1	New South Wales	2015	8,410	22.5	8,410	100%	3.5	92.2%
Wangara	Western Australia	2015	5,415	4.9	5,415	100%	0.6	92.2%
Wacol 2	Queensland	2014	12,246	15.6	12,246	100%	4.5	92.2%
Lane Cove	New South Wales	2017	9,751	35.1	9,751	88.6%	3.1	92.2%
Mt Waverley	Victoria	2014	8,916	14.2	8,916	77%	1.6	92.2%
Dingley	Victoria	2014	17,431	12.8	17,431	0%	N/A	92.2%
Smeaton Grange	New South Wales	2014	7,689	8.3	7,689	100%	2.8	92.2%
Frenchs Forest 2	New South Wales	2015	4,035	7.8	4,035	87%	2.4	92.2%
Sunshine West	Victoria	2013	10,467	8.1	10,467	100%	3.0	92.2%
Kingston	Queensland	2014	6,096	5.7	6,096	100%	4.1	92.2%
Welshpool	Western Australia	2007	6,925	5.2	6,925	100%	2.1	92.2%
Villawood	New South Wales	2015	19,645	18.4	19,645	96%	1.1	92.2%
Chullora	New South Wales	2014	6,428	10.4	6,428	100%	3.1	92.2%
Minto	New South Wales	2014	21,557	26.9	21,557	94%	2.3	92.2%
Derrimut	Victoria	2014	8,321	6.5	8,321	100%	2.4	92.2%
Archerfield	Queensland	2014	24,368	22.2	24,368	100%	3.7	92.2%
Braeside	Victoria	2014	7,598	8.1	7,598	100%	4.9	92.2%
Clayton 1	Victoria	2015	18,194	18.2	18,194	100%	13.2	92.2%
Clayton 2	Victoria	2015	10,468	11.0	10,468	100%	13.2	92.2%
Mt Kuring-Gai	New South Wales	2015	32,954	42.8	32,954	94.9%	2.8	92.2%
Canning Vale	Western Australia	2015	15,251	11.5	15,251	100.0%	1.9	92.2%
Epping	Victoria	2014	10,590	10.0	10,590	100.0%	2.0	92.2%
Richlands	Queensland	2014	9,818	10.3	9,818	89.2%	1.4	92.2%
Melbourne Markets	Victoria	2015	74,968	78.8	74,968	100.0%	3.3	92.2%
Tonka St	Queensland	2018	9,175	22.3	9,175	100.0%	9.1	92.2%
Sherbrooke Rd	Queensland	2019	5,203	9.6	5,203	100.0%	6.9	92.2%
Perry Rd	Victoria	2019	5,701	23.3	5,701	100.0%	11.8	92.2%

Notes:

- (1) The valuations of our investment properties are determined through independent valuations by third-party property valuers. See the property valuation report included in Appendix VI to this prospectus for more information. Valuation reports for certain Australia properties listed in this table have not been included in Appendix VI to this Prospectus in accordance with Chapter 5 of the Listing Rules.
- (2) “WALE” means weighted average lease expiry and represents the average remaining lease term to expiry (or remaining lease term to first lease break) by rental income (excluding outgoing recoveries for net leases), excluding vacancies, as adjusted to reflect the Company’s pro rata share of any properties not wholly-owned.
- (3) We subsequently increased our interest in Guangzhou Mingyue—I and II to 68.5% in August 2019.
- (4) We acquired the Shanghai WGQ and Kawajima properties in August 2019.

In 2016, 2017 and 2018 and for the six months ended June 30, 2019, our top five balance sheet properties by rental revenue generated aggregate rental revenues of US\$36.3 million, US\$38.4 million, US\$43.7 million and US\$28.2 million, respectively, representing 72.2%, 66.4%, 58.8% and 51.3%, respectively, of total rental revenues generated from our balance sheet properties, and representing aggregate rental yields, calculated by dividing net operating income by the cost of the properties, of

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10.2%, 10.3%, 10.6% and 10.9%, respectively. Net operating income is calculated by subtracting rental cost (including taxes) and administrative expenses (excluding depreciation and amortization) from rental revenue.

Fund Properties

The following table summarizes the completed properties held by our joint ventures and the other funds and investment vehicles we managed and the interest we held as of June 30, 2019. The completed properties held by our joint ventures and the other funds and investment vehicles we manage accounted for 45.5% of the Portfolio Assets by GFA as of June 30, 2019.

	<u>Number of properties</u>	<u>Total GFA (sq.m in thousands)</u>	<u>Interest held by the Company⁽¹⁾</u>
Joint ventures			
e-Shang Star Cayman Limited (PRC)	19	1,305.8	25.6%
Sunwood Star Pte. Ltd (South Korea)	4	600.4	20.0%
Other funds and investment vehicles			
The PRC	25	1,376.0	8.1%
Japan	14	1,230.8	9.6%
South Korea	10	380.1	10.0%
Australia	27	297.3	18.3%
India	2	62.2	74.8% ⁽²⁾

Note:

- (1) For other funds and investment vehicles, the percentage interest held by our Company in the completed properties is calculated on a weighted average basis by reference to the GFA of the properties held under the applicable funds and investment vehicles.
- (2) We are in the process of issuing 50% of the shares in the India Fund to our joint venture partner.

In addition, we also hold investment interests in ESR-REIT and other investments primarily in listed companies, including our investments in Sabana REIT and AIMS AMP Capital Industrial REIT in Singapore, Centuria in Australia, CNLP in Hong Kong and others. As of June 30, 2019, these listed equity investments were classified under financial assets at fair value through other comprehensive income, which amounted to US\$469.0 million. See the section headed “Financial Information—Analysis of Selected Consolidated Statements of Financial Position Items” in this Prospectus for more information.

PROPERTY OPERATIONS

Classification of the Portfolio Assets

We classify the Portfolio Assets into the following categories based on their respective development stages:

- *Completed properties*, means both stabilized properties and pre-stabilized properties.
 - *Stabilized properties*, are completed properties: (i) for which construction or acquisition had been completed for more than 12 months; or (ii) reached an occupancy rate of 93% or higher.
 - *Pre-stabilized properties*, are completed properties: (i) for which construction or acquisition had been completed for less than 12 months; or (ii) with an occupancy rate of less than 93%.

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- *Properties under construction* consist of three sub-categories of properties: (i) properties for which we have commenced development; (ii) a light manufacturing facility comprising several buildings for which we are currently evaluating the feasibility of conversion into a business park or research and development center; and (iii) a light industrial and logistics facility which will be upgraded into a standard modern logistics facility.
- *GFA on land held for future development*, representing total estimated GFA upon completion based on the Company's construction plans of properties with respect to which we have either received the land-use rights certificates or have entered into land grant contracts with regulatory authorities or private landowners, but have not yet commenced construction work.

For the PRC properties which we directly hold, a property valuation report has been prepared by Beijing Colliers International Real Estate Valuation Co., Ltd. For the two Japanese properties which we directly hold, RW Higashi-Ogishima DC PH1 and RW Higashi-Ogishima DC PH2, two property valuation reports have been prepared by Cushman & Wakefield K.K. For the Australian properties which we directly hold, a property valuation report has been prepared by CBRE Limited. Our classification of properties is based on how we view our business, while the classification of properties in the property valuation report in Appendix VI to this Prospectus and the Accountants' Report in Appendix I to this Prospectus have been prepared pursuant to the requirements of the relevant professions. The table below sets forth our classification of properties in this Prospectus and the corresponding classification of properties in the property valuation report and the Accountants' Report:

This Prospectus	Property Valuation Report	Accountants' Report
• Completed properties • Properties under construction • GFA on land held for future development	• Completed • Construction in progress • Vacant land	• Completed investment properties • Investment properties under construction • Investment properties under construction

In determining planned dates and estimated GFA information, we rely on certain assumptions, including that: (i) there will be no material change with respect to the general economic conditions in the PRC, Japan, South Korea, Singapore, Australia and India, the performance of the PRC, Japan, South Korea, Singapore, Australia and India property markets or demand for our properties, particularly in the regions where we plan to develop these properties; (ii) there will be no material change in the regulatory regime governing the real estate market in each of the markets which could adversely affect our ability to develop such properties; (iii) there will be no significant delay or obstacle in obtaining necessary licenses and approvals to develop such properties, or any such licenses and approvals obtained are not subject to any material changes or amendments; (iv) we will be able to finance the project development through a combination of our working capital, external borrowings and other debt and equity financing on a timely basis; (v) we will be able to obtain the land-use rights with respect to the land identified for our land held for future development as expected without any significant delay or difficulty; (vi) we will be able to carry out the development plan as set out in the master investment agreement without any material delay or significant changes or amendments to the development plan with respect to land held for future development for which we have not entered into land grant contracts with regulatory authorities or private landowners; (vii) services provided by third party contractors, including our construction contractors, will meet our quality standards and

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requirements; (viii) there will be no material increase in the costs and expenses relating to the construction and development of the properties, including costs of construction materials and labor; and (ix) we will not be involved in any material legal or other proceedings that could significantly affect our project development process.

Based on the above assumptions, estimated GFA information in this Prospectus is derived on the following bases:

- Total GFA information:
 - if the construction of a property is completed and a completion inspection filing has been made, the total GFA information in respect of such completed property refers to the total GFA information set forth in its completion certificate;
 - if the completion inspection filing has not been made, the total GFA information with respect of such project is estimated based on: (i) the total GFA information set forth in the construction work commencement permit; (ii) the total GFA information set forth in the construction work planning permit if the construction work commencement permit is not yet available; (iii) our current development plans if neither of the above documents is otherwise available; or (iv) the total GFA information if any is indicated in the master investment agreement we entered into with regulatory authorities or private landowners; and
 - with respect to GFA on land held for future development for the total GFA information is based on the expected buildable GFA of the properties to be developed on such land.

Property Operations

As of June 30, 2019, our property management team, along with third party property managers that we hired in connection with our Japan operations, provided services to over 586 tenants in the 269 properties comprising the Portfolio Assets.

We assign certain of our logistics properties to one of our property operations managers who supervises the services performed by professional third-party property management vendors that we engage for property maintenance work on our logistics properties, including regular cleaning, repairing and security. Our property operations manager is also in charge of managing facilities and leases, collecting and responding to feedback from our tenants, and conducting operations, procurement and contracts management, as well as monitoring energy efficiency initiatives and budgeting.

Our internal policy requires us to attempt to resolve all inquiries from our tenants promptly upon receipt. The relevant property operation manager is required to record details of any inquiry from our tenants, to provide an estimated processing time to the tenants, and to timely report the inquiry to relevant responsible departments. Our property operations manager is required to commence investigation into the inquiry immediately and propose a solution within one business day. If the issue is material, our facility management staff will visit the facility to communicate with the relevant tenants directly. If the inquiry is within the scope of our lease or if we are responsible for the rectification, our facility management staff are also responsible for monitoring the entire response process and following up with such tenants to ensure the inquiry is fully addressed.

LEASING AND MARKETING

We engage in leasing and marketing activities for properties on our balance sheet and held by the funds and investment vehicles we manage. We commence our leasing and marketing efforts once the construction work begins. It typically takes us up to three months in the PRC, three to six months in South Korea and up to twelve months in Japan to substantially lease-up a new logistics property after its completion of construction. We also often execute lease agreements with tenants for customized facilities prior to their completion. We engage in various marketing initiatives in order to attract new tenants and expand our market recognition. We supplement the efforts and relations of our in-house business development and leasing teams with reputable external professional brokers to source land, properties and tenants in each country where we operate. We pay a portion of the leasing fees we earn from our fund management activities to third-party leasing agents that procure leases for certain of the properties held in the funds and investment vehicles we manage. We develop and strengthen relationships with large national and international firms with significant logistics operations to present our logistics facilities, and undertake dedicated media campaigns to enhance and promote our logistics facilities. Furthermore, we collaborate with other professional institutions, such as property brokerage firms, to prepare marketing studies and develop our marketing and property leasing plans.

We also engage in traditional “banner” advertising targeted at existing and prospective tenants, and market our logistics facilities through marketing brochures, social media and our website. We endeavor to increase our brand exposure through event-specific media coverage and media briefings, such as signing ceremonies related to the establishment of strategic relationships. On occasion, we join with brokers to organize “open house” events at some of our logistics facilities.

As part of our marketing and leasing strategy, we also periodically sponsor and participate in events in local regions in the PRC, Japan, South Korea, Singapore, Australia and India where we develop and operate our logistics properties, such as trade seminars and exhibitions, in order to enhance our brand name and promote our logistics facilities. By raising our profile among various industry participants at these events, such as domestic and international trade and industry associations, chambers of commerce, manufacturers and trading companies, we believe that we can enhance our brand recognition, display the strengths and advantages of our logistics properties and attract additional domestic and international tenants.

We determine the rent for our logistics facilities based a number of factors, including our target investment return rate for the project, the location of the project, demand for the project, tenant relationships, the GFA covered by the lease, duration of the lease and the prevailing market rate for comparable logistics facilities. We also employ lease incentives in order to attract potential tenants, particularly in Japan.

CUSTOMERS**Tenants**

The Portfolio Assets are leased to a broad range of large and mid-sized, multinational and domestic tenants that require logistics and distribution facilities, including e-commerce companies, 3PL providers, bricks-and-mortar retailers, manufacturers, cold-chain logistics providers and others. 3PL providers serve end-users in a large variety of industries, including e-commerce, electronics, fast-moving consumer goods, retail and fast food chains, general logistics services, auto and parts, pharmaceuticals, and medical instruments and machinery. Our leases are generally up for renewal

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every three to five years and the rents charged upon renewals of these leases are typically adjusted based upon then prevailing market rates. Our lease agreements give standard termination rights to the tenant or landlord, as applicable, under certain situations, including, but not limited to: (i) damage to the property caused by a force majeure event that renders the premises unusable, (ii) events of default by the tenant, including, but not limited to, failure to take the premises, failure to pay rent and unauthorized sub-lease, (iii) circumstances that affect the legal capacity of the tenant, and (iv) material events of default by the landlord, including, but not limited to, failure to deliver the premises or failure to maintain the premises in good condition. Our lease agreements typically require quarterly or monthly fixed rate rent payments, and some of our agreements also require rent prepayments prior to completion of the property. We seek to be a regional partner for our tenants, with a goal to be the single point of contact to design and build a multi-market distribution network for tenants throughout the PRC, Japan, South Korea, Singapore, Australia and India.

In 2016, 2017 and 2018 and for the six months ended June 30, 2019, rental revenue generated from the single largest tenant of our balance sheet properties accounted for approximately 19.7%, 12.6%, 9.3% and 9.8%, respectively, of our total revenue. For the same periods, rental revenue attributable to the five largest tenants of our balance sheet properties accounted for approximately 40.7%, 25.8%, 17.4% and 13.8%, respectively, of our total revenue. Our five largest tenants for each year during the Track Record Period are independent third parties. In 2016 and 2017, three of our five largest tenants were e-commerce companies and two were bricks-and-mortar retailers. In 2018, two of our five largest tenants were e-commerce companies, two were manufacturers and one was a bricks-and-mortar retailer. For the six months ended June 30, 2019, one of our five largest tenants was an e-commerce company, one was a bricks-and-mortar retailer and three were manufacturers.

We expect the proportion of the Portfolio Assets held in the funds and investment vehicles we manage to increase in the future, resulting in a decrease in the percentage of revenue attributable to our five largest tenants.

Funds and Investment Vehicles

We manage 30 funds and investment vehicles and generate revenue from the management of those funds and investment vehicles. In 2016, 2017 and 2018 and for the six months ended June 30, 2019, revenue generated from the single largest fund we managed on the basis of management fee income accounted for approximately 10.9%, 12.2%, 12.0% and 8.8%, respectively, of our total revenue. For the same periods, revenue attributable to the five largest funds and investment vehicles we managed, all of which were development funds and investment vehicles, accounted for approximately 34.0%, 31.5%, 27.9% and 23.8%, respectively, of our total revenue.

SUPPLIERS

Our suppliers primarily consist of construction companies, property management companies, interior designers and commercial real estate brokers. In 2016, 2017 and 2018 and for the six months ended June 30, 2019, transaction amounts with our single largest supplier accounted for approximately 16.7%, 20.3%, 10.8% and 11.3%, respectively, of our total purchase amount incurred in the period. For the same periods, transaction amounts with our five largest suppliers in aggregate accounted for approximately 35.5%, 38.1%, 20.0% and 19.0%, respectively, of our total purchase amount incurred in the period. These suppliers are mostly construction contractors. We typically pay our construction contractors according to a schedule as set forth in the relevant construction agreements, some of which

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require monthly or bi-monthly payments until completion of the project, and others which call for a lump sum payment upon completion of the project. As we select contractors on a project basis, we do not rely on any single contractor despite the relatively high contribution of our largest or five largest contractors/suppliers to our cost incurred in a given period. Our five largest suppliers are independent third parties.

COMPETITION

We face competition from other large international and domestic developers, owners and operators of other logistics facilities and fund managers and, within any specific individual market, also from smaller and local players. We compete with other providers for locations and sites for future logistics facilities as well as tenants.

We believe that, in choosing a provider of logistics facilities, our tenants focus primarily on the size of a provider's network, background and reputation of the provider, the locations and construction quality of its properties, and the property services provided. We believe that the size of our network and our focus on customer service, and on assisting our tenants in establishing and maintaining their logistics networks, allow us to compete favorably with our competitors. For additional details about the competitive environment we operate in, see the JLL Report included in Appendix IV to this Prospectus.

Our fund management business faces competition from other private funds, specialist investment funds, hedge fund sponsors, financial institutions, corporate buyers and other parties for capital partners and investment opportunities. We mainly compete with these competitors in acquiring investments for the funds and investment vehicles we manage and in the pursuit of capital partners to invest. In particular, our private fund management business faces competition in the pursuit of capital partners as well as in seeking profitable investment opportunities. Our REIT management business faces competition primarily in acquiring additional properties for ESR-REIT and for new REITs that we may manage or invest in in the future. In raising capital for the funds and investment vehicles we manage, we compete with our competitors primarily on the basis of the following factors: investment performance, investor perception of our drive, focus and alignment of interest; quality of service provided to and relationship with capital partners; access to capital; level of fees and expenses charged for services; brand recognition; transaction execution skills; range of products and services and innovation. For acquisitions and investment opportunities, we compete with our competitors primarily on price, access to market information about suitable investment opportunities and payment terms, among other factors.

RISK MANAGEMENT AND INTERNAL CONTROL

We recognize that risk management is critical to our business. Our key operational risks include changes in general market conditions and the regulatory environment of the PRC, Japan, South Korea, Singapore, Australia and India property markets, availability of suitable sites for logistics properties at commercially reasonable prices, the local economic environment and the urbanization process, expansion risks relating to entering into new geographic regions and business areas, our ability to complete our construction properties to the required quality standards and within our target timelines, the availability of financing to support our growth, competition from other logistics facilities providers and our ability to promote and lease out our logistics facilities. In addition, we face market risks such as interest rate risk, foreign currency risk, credit risk and liquidity risk that arise in the normal course of

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our business. See the section headed “Financial Information—Quantitative and Qualitative Disclosures About Market Risk” for more information.

We have implemented the following structures and measures to control and manage our risks.

- Our Board of Directors is responsible and has general powers over the management and conduct of our business, and is in charge of our overall risk control. Any significant business decisions involving material risks, such as decisions to expand into new geographic regions or to incur significant corporate finance transactions, are reviewed, analyzed and approved at the board level to ensure a thorough examination of the associated risks at our highest corporate governance body.
- We have implemented control measures to manage operational risks. We control major construction risks by engaging qualified construction contractors with strict contractual requirements while maintaining daily quality control supervision. We also engage reputable financial, accounting and legal professionals to assist us in conducting significant corporate transactions, such as material investments for capital expenditure, incurrence of indebtedness or other financing activities. We have engaged an independent internal control consultant to review our internal control measures and make recommendations.
- We enforce strict control and accountability policies and manuals at an individual employee level and conduct ongoing on-site training. We also closely monitor the quality and safety measures adopted on our construction sites with the construction contractors to lower the risks of damage to our property and liabilities that may be attributable to us. Our insurance coverage is in line with the customary practice in the PRC, Japan, South Korea, Singapore, Australia and India real estate industries.
- Our policies and manuals are updated regularly based on our operational needs. We seek to maintain a corporate culture with a high level of responsibility, integrity and reliability to manage our operational and market risks.
- We have in-house personnel that review our internal control measures on a continuing basis.

For more details regarding risk management of our fund management business, see the paragraph headed “—Principal Business Activities—Fund Management—Fund Investment Process” in this section of the Prospectus.

INSURANCE

We maintain insurance policies covering both our assets and employees, with policy specifications and insured limits that are commercially reasonable and appropriate for a Company of our size, for our assets and for activities in the logistics business. We believe this is in line with industry practice in the logistics industries where we operate. Our insurance policies are arranged with reputable insurers and cover risks such as fire, flood, lightning, explosion, strike, riot, civil disorder, accidental or malicious damage, natural disasters, theft, and business interruption. We also insure for potential public liability claims made by third parties in respect of bodily injury and third-party property damage arising out of properties and other assets owned by us. We further maintain liability insurance policies for our Directors and officers as well as professional indemnity insurance for our businesses. See the section headed “Risk Factors—We may suffer substantial losses in the event of a

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natural or man-made disaster, such as an earthquake, typhoon or other casualty event in the countries where we operate, which may not be covered by insurance” in this Prospectus.

TITLES, LICENSES, PERMITS AND APPROVALS

Our PRC Legal Advisor has advised that, during the Track Record Period and up to the Latest Practicable Date, we had obtained all the requisite licenses, permits and approvals from the relevant government authorities that are material for our business operations in the PRC.

During the Track Record period and up to the Latest Practicable Date, we have obtained all material requisite licenses, permits and approvals for our business operations in the other markets where we operate.

The following table sets forth details of our material licenses and permits:

License/Permit	Holder	Issuing Authority	Issuance Date	Expiry Date
Real Estate Brokerage License	ESR LTD	Governor of Tokyo	April 21, 2017	April 20, 2022
Investment Advisory and Agency Registration	ESR LTD	Financial Services Agency of Japan	May 27, 2008	No expiry date
Type II Financial Instruments Business Registration	ESR LTD	Financial Services Agency of Japan	May 27, 2008	No expiry date
Capital Markets Services License to conduct Real Estate Investment Trust Management	ESR Funds Management (S) Limited (f.k.a. Cambridge Industrial Trust Management Limited)	Monetary Authority of Singapore	November 8, 2016	No expiry date
Registration of Private Equity Investment Fund Manager	Shanghai Yizong Equity Investment Fund Management Co., Ltd.	Asset Management Association of China	November 21, 2017	No expiry date
License for real estate development business	Kendall Square Logistics Properties, Inc.	Ministry of Land, Infrastructure and Transport (South Korea)	November 7, 2017	No expiry date
License for Professional Private Placement Collective Investment Business	Kendall Square Asset Management, Inc.	Financial Services Commission (South Korea)	December 23, 2016	No expiry date
License for Foreign Exchange Business	Kendall Square Asset Management, Inc.	Ministry of Economy and Finance (South Korea)	May 24, 2017	No expiry date

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License/Permit	Holder	Issuing Authority	Issuance Date	Expiry Date
Australian Financials Services License—Retail	ESR RIM (Australia) Ltd	Australian Securities & Investment Commission	July 3, 2019	No expiry date
Australian Financials Services License—Wholesale	ESR WIM (Australia) Pty Ltd	Australian Securities & Investment Commission	July 3, 2019	No expiry date
Real Estate License—NSW	ESR Asset Management (Australia) Pty Limited	New South Wales Fair Trading	May 5, 2015	May 4, 2020
Real Estate License—Victoria	ESR Asset Management (Australia) Pty Limited	Victorian Licensing Authority	May 6, 2015	May 5, 2020
Building—Unlimited	CIP Constructions (VIC) Pty Ltd	Victorian Building Authority (VBA)	July 1, 2018	April 19, 2023
Builder	CIP Constructions (NSW) Pty Ltd	NSW Government Fair Trading	February 1, 2017	February 8, 2020
Builder Open—Restricted	CIP Constructions (QLD) Pty Ltd	Queensland Building and Construction Commission (QBCC)	September 29, 2018	September 29, 2021
Registered Building Contractor (Company)	CIP Constructions (WA) Pty Ltd	Building Commission—Government of Western Australia Department of Commerce	November 1, 2017	November 1, 2020
Building Work Contractor	CIP Constructions (SA) Pty Ltd	Consumer and Business Services—Government of South Australia	November 18, 2014	November 30, 2020
Certificate of Approval as an Approved Investment Manager	ESR QFLP GP Holdings Limited	Financial Services Commission of BVI	July 31, 2019	No expiry date
Certificate of Registration—Foreign Portfolio Investor	ESR India Investor PTE LTD	Securities and Exchange Board of India	February 26, 2018	No expiry date

INTELLECTUAL PROPERTY RIGHTS

We currently have 32 registered trademarks in total, including the ESR logo “”, which we use on many of our logistics properties and are in the process of adding to additional properties in order to unify our branding. We currently use our ESR logo “” in the PRC, Hong Kong, Japan, South Korea

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and Singapore, as well as “易商”, “益商” and their respective accompanying designs in the PRC. We have also registered our logo in Australia and India and intend to display our logo on Portfolio Assets in Australia and India in the future. For further information on these intellectual property rights, see the section headed “Statutory and General Information—Intellectual Property Rights of our Group” in Appendix VIII to this Prospectus for further details.

As of the Latest Practicable Date, we are not aware of any infringement: (i) by us of any intellectual property rights owned by third parties; or (ii) by any third parties of any intellectual property rights owned by us.

INFORMATION TECHNOLOGY

We rely on our information technology to support our business operations. We utilize enterprise software platforms including SAP and Salesforce to aggregate and analyze data regarding our buildings, our financials, and our clients. We also assess the need to implement and supplement human resources and management systems as the business grows. We believe that our information technology platform improves our operational efficiency and provides high quality internal governance controls. We continue to assess the adequacy of our computer systems and implement improvements to our platform. For example, we are in the process of implementing the SAP enterprise software platforms at our Australia and India operations, which we expect to be implemented in 2019.

EMPLOYEES

As of June 30, 2019, we had 595 employees in seven locations. The following tables summarize the number of employees we have by geographical location and function as of June 30, 2019:

Employees by Geographical Location

	As of June 30, 2019
The PRC	167
Japan	58
South Korea	43
Singapore	101
Hong Kong	27
Australia	151
India	48
Total	595

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Employees by Function

	As of June 30, 2019
Investment/Divestment	51
Project Development Management	173
Leasing/Marketing	42
Asset/Property Management	126
Finance/Accounting	99
General Management/Administration	104
Total	595

We actively recruit skilled and qualified personnel, including university and advanced degree graduates and employees with relevant working experience. The remuneration package of our employees includes salary, bonuses and other cash elements. In general, we determine employee salaries based on each employee's qualifications, experience, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our determinations on salary raises, bonuses and promotion. We are subject to social insurance contribution plans organized by relevant local governments. We believe that the salaries and benefits that our employees receive are competitive with market standards in each country where we conduct business.

Except for certain employees within our construction business, none of our employees is a member of a labor union. We have not experienced any strikes or disruptions to our operations due to labor disputes. We believe that our relationships with our employees are good.

We have compliance training programs that aim to support and encourage members of our management team to continue improving their management skills, including online training. We also provide our management training and development opportunities relevant to their professions in areas of technical knowledge, professional qualification and soft skills to improve their skills and develop their careers. We provide orientation for newly hired employees as well as continuing training for existing employees. In addition to compliance training, we provide on-the-job training on a regular basis on various topics, which is designed to improve the skills of our employees.

ENVIRONMENTAL AND SAFETY MATTERS

Our operations are subject to regulatory requirements and potential liabilities arising under applicable environmental, health or safety-related laws and regulations in each of the countries in which we operate. We pursue a sustainable approach to the environment, as well as proper consideration of our social and economic responsibilities to the wider community. Optimizing the sustainability potential in new developments through green design initiatives positions a property well to minimize its environmental impact and provides long-term benefits for tenants and value to our capital partners. We believe we have established appropriate risk management procedures, training and induction programs (for employees and third-party contractors) at all of our assets.

Environmental regulations, among other things, impose liability on present and former property owners and operators for costs and damages related to soil and water contaminations from hazardous or toxic substances. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence or release of such hazardous or toxic substances. We are particularly

mindful of the potential liabilities associated with these regulations. Additionally, the presence of hazardous or toxic substances on our properties may adversely affect our ability to sell such properties or to borrow using such properties as collateral, and may cause us to incur penalties and cleanup costs. All of our development properties are constructed in accordance with the relevant local environmental regulations.

Save for CIP, with respect to our development projects, we do not directly undertake the construction work for our properties, and the responsibility for ensuring the health and safety of construction workers on our properties typically rests with the contractors we engage. With our acquisition of CIP in August 2018, we have added in-house construction to our business activities that are subject to the applicable environmental, health or safety-related laws and regulations in Australia. In our capacity as owner of our directly held properties, we have obligations under the various occupational health and safety regulations in the PRC, Japan, Australia and India.

We believe that we are in compliance in all material respects with applicable environmental, health and safety regulations in the PRC, Japan, South Korea, Singapore, Australia and India. During the Track Record Period and as of the Latest Practicable Date, none of us or any of our subsidiaries was involved in any material environmental, health or safety-related incident. We are currently not aware of any material environmental, health or safety-related proceedings or investigations to which we might become a party.

COMPLIANCE AND LEGAL PROCEEDINGS

During the Track Record Period and as of the Latest Practicable Date: (i) we did not commit any material non-compliance of the laws or regulations applicable to the Group, and we did not experience any systemic non-compliance incidents, which taken as a whole, in our opinion, were likely to have a material and adverse effect on our business, financial condition or results of operations; and (ii) none of us or any of our subsidiaries was a party to, or was aware of any threat of, any legal, arbitral or administrative proceeding, which, in our opinion, was likely to have a material and adverse effect on our business, financial condition or results of operations. We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business.

Set forth below is a summary of our certain of our non-compliance matters during the Track Record Period and up to the Latest Practicable Date, as well as rectification actions and preventive measures that we have taken in respect of such matters:

Non-compliance Matter

As of the Latest Practicable Date, 34.6% of our lease agreements with tenants in the PRC by GFA, which covers GFA of approximately 0.36 million sq.m., and 2.6% of the lease agreements for the properties we lease in the PRC by number of lease agreements had been registered and filed with the relevant land and real estate administration bureaus.

Reasons for the Non-compliance

The registration of the leases requires cooperation of the tenants or lessors, including the provision of various original documents to the local authority by the tenants or lessors. We were not

able to complete the remaining lease registration processes as the relevant tenants or lessors did not cooperate and provide us with the necessary documentation required under the relevant PRC legislation and/or by the relevant local authorities, such as: (i) the original or certified copy of land use right certificate (for our lessors); (ii) the original or certified property title certificate (for our lessors); (iii) the original or certified copy of business licenses (for our tenants or lessors); and (iv) the original or certified copy of personal identification of the legal representatives (for our tenants or lessors) to register the leases with the local government authorities. While we have been trying to register these leases throughout the Track Record Period, our tenants were not willing to cooperate primarily because the non-registration does not affect the validity of the leases and due to the inconvenience caused by providing the various original documents. Furthermore, cooperating in the lease registration process was not part of the contractual obligation of our tenants under our lease agreements in the past.

Legal Consequences and Potential Maximum Penalties

As advised by our PRC Legal Adviser, failure to complete the registration and filing of lease agreements does not affect our rights or entitlements to lease out the facilities to tenants, or the validity of the lease agreements or the binding effect of the lease agreements over contracting parties. However, pursuant to the provisions of the Urban Real Estate Law, the lease agreements shall be filed for registration and recorded with the relevant local real estate administration authorities. According to the Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法) and relevant local rules, we may be subject to requests by the local authorities to complete the registration formalities and/or penalties for the non-registration of property lease agreements imposed by the local authorities. As some PRC local governments have not issued or implemented specific penalty rules for the non-registration of lease agreements, our PRC Legal Advisor conducted an estimate based on the penalty rules that have been published by relevant PRC local governments and has advised us that as of the Latest Practicable Date, we may be subject to an estimated maximum penalty of approximately RMB0.48 million (approximately US\$0.07 million) in aggregate for the non-registration of these lease agreements, which our Directors believe will not have any material adverse impact on our business operations or financial performance if imposed on us by the relevant authorities. See the section headed “Risk Factors—Risks Relating to Our Business in the PRC—We may face penalties for the non-registration of our lease agreements with tenants and the lease agreements for the properties we lease in the PRC” in this Prospectus for further details.

Remedies and Rectification Measures Taken to Prevent Future Breach and Ensure On-going Compliance

While we have no control over the cooperation efforts of tenants or lessors, we endeavor to complete the lease registration in a proper manner. We are in the process of registering the remaining lease and will take all reasonable and practical steps to ensure that it is registered. In particular, we started to undertake the following enhanced internal control measures to ensure cooperation by our tenants or lessors in November 2018, including the following:

- we have established a team to work on the lease registration by proactively communicating with the tenants and lessors in order to obtain their cooperation and collect the application documents for the relevant lease registration;
- each team member was designated to specific projects that they will be responsible for;
- our legal team runs periodic review of the status of lease registration;

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- we have also revised our lease templates to include the cooperation of tenants for lease registration as a contractual obligation for our tenants. We will insist on the inclusion of such terms during negotiation. To the extent any tenants breach this obligation, we are entitled to take necessary legal actions to enforce this contractual obligation; and
- we will request the inclusion of such term with our lessors upon renewal of existing leases or signing of future leases to ensure our lessors are also contractually obligated to cooperate with us in the lease registration process.

In the opinion of our PRC Legal Advisor, none of the above administrative penalties and regulatory measures will become a material legal obstacle to our Global Offering. Considering the nature, scale, reasons and potential impact of the non-compliance incidents disclosed in this section in this Prospectus, our Directors take the view that none of the non-compliance incidents had a material adverse effect on our business, financial condition or results of operations during the Track Record Period.

We have engaged an independent internal control consultant to review our internal control measures and make recommendations. Among other things, our internal control consultant reviewed our license application procedures. Based on the recommendations of our internal control consultant, we have implemented enhanced procedures, including proper documentation and more efficient internal approval process for license applications, updates and renewals. In addition, our Directors believe that we have established adequate internal control measures to ensure that we will be able to obtain and maintain all the material government filings, approval and permits required for our business operation. Such measures include the following:

- we will have an audit committee comprising independent non-executive Directors to supervise our internal control systems and an investment committee to supervise our investment process and the investment process of the funds and investment vehicles we manage;
- our legal and compliance department will continue to oversee our legal and regulatory compliance related matters, including closely monitoring any updates to applicable laws and regulations;
- our legal, financial and operational departments continually review the implementation of our internal policies and measures to ensure our policies and implementation are effective and sufficient for the prevention of any potential non-compliance, and will organize internal trainings if any potential non-compliance or implementation shortfall is identified;
- we will retain external legal advisor(s) to advise on compliance matters when necessary;
- our audit department will conduct internal annual audits of our business lines based on the requirements of relevant rules and regulations so as to ensure that all activities are being carried out in accordance with our compliance policy and procedures; and
- we have in-house personnel that review our internal control measures on a continuing basis.

For more details regarding our internal control process, see the paragraph headed “—Risk Management and Internal Control” in this section of the Prospectus.

The Joint Sponsors concur with the Directors’ view that none of the non-compliance incidents had a material adverse effect on our business, financial condition or results of operations during the

BUSINESS

Track Record Period, having considered the implementation of the enhanced internal policies and measures by us. However, we cannot predict the outcome of any pending or future examination, investigation or litigation, we cannot assure you that any pending legal and regulatory matters will not have a material adverse effect on our reputation, business, financial condition or results of operations and we cannot assure you that any future litigation or regulatory proceeding will not have a material adverse effect on our reputation, business, financial condition or operating results.

CONNECTED TRANSACTIONS

We currently do not expect to have any transactions with connected persons of the Group immediately following the Listing. We will comply with the applicable reporting, announcement, annual review and/or independent shareholders' approval requirements in accordance with the Listing Rules if we enter into any connected transactions after the Listing.

THE PROPERTYLINK ACQUISITION

Propertylink is an internally-managed REIT previously listed on the ASX, specializing in Australian industrial and office investments. Propertylink also co-invests in funds with financial institutions from North America, Europe, the Middle East, Asia and Australia. As of March 20, 2019, being the date on which Propertylink was consolidated as a subsidiary into our Group, Propertylink managed 58 industrial and office properties, including assets managed under its co-invested funds as well as assets held under its wholly-owned industrial portfolio. Previously, in October 2017, we acquired approximately 19.9% of Propertylink and became its single largest securityholder. We subsequently completed our acquisition of 100% of the securities of Propertylink in April 2019. Propertylink was delisted from the ASX on April 26, 2019. The three entities that comprised Propertylink were de-stapled on May 30, 2019. For further information on our acquisition of Propertylink, see the sections headed "History, Development and Corporate Structure—Propertylink Acquisition." Propertylink had revenue of approximately AUD21.7 million, AUD137.0 million and AUD175.1 million (approximately US\$119.1 million) for the years ended June 30, 2016, 2017 and 2018, respectively, and approximately AUD108.3 million (approximately US\$73.7 million) for the period from July 1, 2018 to March 20, 2019. As of June 30, 2016, 2017, 2018 and March 20, 2019, it had total assets of approximately AUD59.9 million, AUD802.3 million, AUD942.6 million (approximately US\$641.3 million) and AUD1,133.1 million (approximately US\$771.0 million), respectively. We have included pre-acquisition financial information of Propertylink in Appendices II-A and II-B to this Prospectus. For further information about the historical financial results of Propertylink, see the section headed "Financial Information—Financial Information of Propertylink."

The consideration paid by us to acquire Propertylink and any associated transaction costs were funded by us through a combination of:

- external debt provided to us under the External Acquisition Facility (a AUD230 million (approximately US\$156.5 million) share acquisition bridging facility); and
- existing cash and cash equivalents sources within our Group including pursuant to the Internal Equity Commitment (an equity commitment letter for up to AUD352 million (approximately US\$239.5 million)).

The External Acquisition Facility was used as a bridging facility and has now been refinanced with debt that is secured by the underlying assets of Propertylink.

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We are committed to a long term investment in logistics real estate in the Australian market. Our acquisition of Propertylink, like our acquisition of CIP, is part of our focus on value creation which involves expanding our Australian operations and identifying accretive acquisition targets, both as a property developer and a fund, asset and property manager. As of March 20, 2019, the majority of the assets managed by Propertylink were fully developed as Propertylink was not heavily engaged in development. In line with our capital recycling strategy, we plan to own and manage certain of these assets within our Group and to transfer certain of these assets into new funds and investment vehicles managed by us. For more information, see the section headed “Summary—Recent Developments—New Australia Fund” in this Prospectus.

For more information on the risks related to our acquisition of Propertylink, see the section headed “Risk Factors—Risks Relating to Our Business and Industry—We may not realize the expected benefits of our acquisition of Propertylink” in this Prospectus.

OVERVIEW

Immediately following the completion of the Global Offering (assuming the Over-allotment Option and the Offer Size Adjustment Option are not exercised), WP OCIM will be entitled to exercise voting rights of approximately 24.1% (if Luckfield Global Limited is a Selling Shareholder) or 23.6% (if Luckfield Global Limited is not a Selling Shareholder) of the issued share capital and will remain a substantial Shareholder. WP OCIM is indirectly owned as to 96.9% by Warburg Pincus X. For more information relating to WP OCIM, Warburg Pincus X and their shareholdings in our Company, please see the section headed “Substantial Shareholders” in this Prospectus.

INDEPENDENCE FROM WARBURG PINCUS X

In the opinion of our Directors, our Group is capable of carrying on our business independently of, and does not place undue reliance on, WP OCIM and its associates, on account of the following factors:

Management Independence

Our Board consists of twelve Directors, of whom three are executive Directors, four are non-executive Directors and five are independent non-executive Directors. Our management and operational decisions are made by our executive Directors and senior management, all of whom have served our Group during the Track Record Period and have substantial experience in the industry in which we are engaged. Please see the section headed “Directors and Senior Management” in this Prospectus for further details. Except for two of our non-executive Directors, Mr. Jeffrey David Perlman and Mr. Joseph Raymond Gagnon, who are employed by affiliates of WP OCIM, none of the Directors or senior management team hold any board or executive position in, or are employed by WP OCIM or any of its affiliates.

Our Directors consider that our Board and senior management will function independently of WP OCIM and its associates because:

- (a) each Director is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefits of and in the best interest of our Company and should avoid any conflict between his/her duties as a Director and his/her other actual or potential interests and duties;
- (b) the five independent non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements under the Listing Rules to ensure that the decision of the Board are made only after due consideration of independent and impartial opinions;
- (c) the Board acts collectively by majority decisions in accordance with the Articles of Association and applicable laws, and no single Director is able to make any decisions unless authorized by the Board; and
- (d) the Articles of Association (which will be effective on the Listing Date) require a Director to declare his/her interest in any contract or arrangement in which he/she has an interest and he/she is not entitled to vote on (nor be counted in the quorum in relation to) any resolution of the Board approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest, except in certain prescribed circumstances, details of which are set out in the section headed “Summary of

RELATIONSHIP WITH WARBURG PINCUS X

the Constitution of our Company and Cayman Companies Law” in Appendix VII to this Prospectus. The provisions of the Articles of Association ensure that matters involving a conflict of interest which may arise from time to time will be managed in line with accepted corporate governance practice with a view to ensuring that decisions are taken having regard to the best interests of the Company and the Shareholders (including the independent Shareholders) taken as a whole.

Based on the factors above, our Directors are satisfied that they are able to perform their roles in our Company independently and manage the business of our Group together with our senior management independently from WP OCIM and its associates after the Listing.

Financial Independence

We have our own accounting and finance department, internal control, accounting and financial management and reporting system and treasury systems independent from those of WP OCIM, and we are able to make financial decisions and operate independently from WP OCIM from a financial perspective.

In addition, our Group does not rely on WP OCIM and/or its associates for provision of financial assistance. As of the Latest Practicable Date, save for certain security support provided by WP OCIM in relation to the Hana Notes which will be released prior to completion of the Global Offering, and save and except for the management incentivization arrangements (details of which have been set out in the section headed “History, Development and Corporate Structure” in this Prospectus) which will be settled on the Listing Date, we had no outstanding loans, current account balances, financial assistance or financing in any other form from WP OCIM or its associates, and had not provided any outstanding securities, loans or any other form of financial assistance to WP OCIM or its associates.

Our Directors therefore believe that we have maintained and are able to maintain financial independence from WP OCIM and its associates.

Operational Independence

We have our own organizational structure and departments with specific responsibilities and authority independent from WP OCIM and its associates. We have full rights and ability to formulate and to implement decisions regarding our business operations, administration and human resources. Our Group holds or enjoys the benefit of all relevant licenses necessary to carry out our business, and has sufficient capital, employees and resources to operate our business independently. We have also developed and maintain a comprehensive set of internal control procedures for promoting efficient business operations. As such, our Directors believe that we have maintained and are able to maintain operational independence from WP OCIM or its associates.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board consists of 12 Directors, comprising of three executive Directors, four non-executive Directors and five independent non-executive Directors:

Name	Age	Position	Date of Joining our Group ⁽¹⁾	Date of Appointment as Director	Key Responsibilities
Executive Directors					
Mr. Jinchu Shen (沈晉初)	46	Executive Director, Co-founder and co-CEO	June 30, 2011	June 30, 2011	Responsible for the management and conduct of our business, overall risk control and daily business operation.
Mr. Stuart Gibson	55	Executive Director, Co-founder and co-CEO	July 1, 2006	January 20, 2016	Responsible for the management and conduct of our business, overall risk control and daily business operation.
Mr. Charles Alexander Portes	50	Executive Director, Co-founder and president	July 1, 2006	January 20, 2016	Responsible for the management and conduct of our business, overall risk control and daily business operation.
Non-executive Directors					
Mr. Jeffrey David Perlman	36	Chairman and Non-executive Director	June 14, 2011	June 14, 2011	Responsible for the formulation of strategic directions and for the high level oversight of the management and operation of our Group.
Mr. Joseph Raymond Gagnon	41	Non-executive Director	June 30, 2011	June 30, 2011	Responsible for the formulation of strategic directions and for the high level oversight of the management and operation of our Group.
Mr. Zhenhui Wang (王振輝)	44	Non-executive Director	May 10, 2018	May 10, 2018	Responsible for the formulation of strategic directions and for the high level oversight of the management and operation of our Group.
Mr. Ho Jeong Lee	52	Non-executive Director	August 3, 2017	August 3, 2017	Responsible for the formulation of strategic directions and for the high level oversight of the management and operation of our Group.
Independent non-executive Directors					
Mr. Brett Harold Krause	51	Independent non-executive Director	May 20, 2019 ⁽²⁾	May 20, 2019 ⁽²⁾	Responsible for addressing conflicts and giving strategic advice and guidance on the business and operations of our Group.
The Right Honourable Sir Hugo George William Swire, KCMG, MP	59	Independent non-executive Director	May 20, 2019 ⁽²⁾	May 20, 2019 ⁽²⁾	Responsible for addressing conflicts and giving strategic advice and guidance on the business and operations of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of Joining our Group ⁽¹⁾	Date of Appointment as Director	Key Responsibilities
Mr. Simon James McDonald	57	Independent non-executive Director	May 20, 2019 ⁽²⁾	May 20, 2019 ⁽²⁾	Responsible for addressing conflicts and giving strategic advice and guidance on the business and operations of our Group.
Ms. Jingsheng Liu (劉京生)	67	Independent non-executive Director	May 20, 2019 ⁽²⁾	May 20, 2019 ⁽²⁾	Responsible for addressing conflicts and giving strategic advice and guidance on the business and operations of our Group.
Mr. Robin Tom Holdsworth	50	Independent non-executive Director	October 14, 2019 ⁽²⁾	October 14, 2019 ⁽²⁾	Responsible for addressing conflicts and giving strategic advice and guidance on the business and operations of our Group.

Notes:

(1) Date stated is in respect to our Company or applicable predecessor entity.

(2) The appointment is effective on the date of this Prospectus.

Executive Directors

Mr. Jinchu SHEN (沈晉初)

Mr. Jinchu Shen, also known as Jeffrey, aged 46, is a co-founder of e-Shang and has been the co-CEO of our Group since June 2011. He was appointed as a director of e-Shang on June 30, 2011 and following the 2016 Merger, was appointed as a Director and is responsible for overseeing ESR's overall operations and business development, leading regional growth strategies, and expanding ESR's asset and fund management platforms. Mr. Shen was re-designated as an executive Director on February 22, 2019.

Mr. Shen has over 20 years of industrial real estate experience in China. Prior to co-founding our Group in June 2011, Mr. Shen held a variety of roles, including Senior Vice President, at GLP Investment Management (China) Co., Ltd. (全球物流資產公司 (中國)) (formerly known as Prologis China) from January 2004 to September 2010, overseeing the Eastern China area. Mr. Shen was the deputy director in DTZ Debenham Tie Leung International Property Advisers from June 2001 to December 2003 and prior to this, he was the assistant general manager of marketing at Shanghai Waigaoqiao Free Trade Zone Xin Development Co., Ltd from July 1995 to November 2000. Mr. Shen was also a director of ESR-REIT Manager, the fund manager of ESR-REIT, from January 2017 to January 2019.

Mr. Shen graduated from the Shanghai Jiaotong University in the PRC in July 1995, where he obtained a bachelor's degree in technical economics. In July 2001, he obtained a master's degree in business administration from Donghua University in the PRC.

Mr. Stuart GIBSON

Mr. Stuart Gibson, aged 55, is a co-founder of our Group, and was the co-founder and CEO of the Redwood group from July 2006 until the 2016 Merger, and he has been the co-CEO of our

DIRECTORS AND SENIOR MANAGEMENT

Company since January 2016. He was appointed as a Director on January 20, 2016 and is responsible for overseeing ESR's overall operations and business development. Mr. Gibson was re-designated as an executive Director on February 22, 2019.

Mr. Gibson has over 24 years of real estate development and investment experience in Asia, which includes 15 years spent in the Japanese industrial real estate sector. Mr. Gibson joined Prologis B.V. (formerly known as LogiStar B.V.) in 1998 as the development associate, and was subsequently seconded from Prologis B.V. to Prologis Japan as a vice president from 2000 and was later promoted to the country head of Prologis Japan. He is the former co-founder and co-CEO of AMB BlackPine from 2003 to 2006, which was subsequently incorporated into Prologis. He was also the Chairman of AMB Property Corporation Japan Advisory Committee from July 2006 to December 2007.

Mr. Charles Alexander PORTES

Mr. Charles Alexander Portes, also known as Charles de Portes, aged 50, is a co-founder of our Group and was the co-founder and President of the Redwood group from July 2006 until the 2016 Merger, and he has been the President of our Group since January 2016. He was appointed as a Director on January 20, 2016 and is responsible for overseeing ESR's overall private equity capital raising and operations and business development. Mr. Portes was re-designated as an executive Director on February 22, 2019.

Mr. Portes has over 23 years of real estate investment experience, including 19 years in the industrial sector in Asia. Mr. Portes was the co-founder and co-CEO of AMB BlackPine from 2003 to 2006, which was subsequently incorporated into Prologis and was a Member of the AMB Property Japan Advisory Committee from June 2006 to August 2008. Mr. Portes was the Head of Acquisitions and Capital for Europe and Asia for Prologis Japan from 1998 to 2003 and he worked in real estate, principally in investments, at Goldman Sachs from 1996 to 1998.

Mr. Portes graduated from The John Hopkins University in the United States in May 1991, where he obtained a bachelor's degree in Economics. In July 1996, he further obtained a master's degree in business administration from INSEAD, France.

Non-executive Directors

Mr. Jeffrey David PERLMAN

Mr. Jeffrey David Perlman, aged 36, was appointed as a Director on June 14, 2011 and was re-designated as a non-executive Director on February 22, 2019. He was appointed as our chairman on May 20, 2019.

Mr. Perlman joined Warburg Pincus LLC in 2006, and has been serving as Managing Director and Head of Southeast Asia since May 2016, leading Warburg Pincus' investments in Southeast Asia in addition to focusing on real estate investments across the greater Asia-Pacific region. Prior to joining Warburg Pincus, he worked in the Real Estate Investment Banking Group at Credit Suisse from July 2005 to August 2006. Mr. Perlman is a director and member of the executive committee and the nomination and remuneration committee of ESR-REIT Manager, the manager of ESR-REIT, a real estate investment trust listed on the Singapore Exchange Securities Trading Limited (Stock Code: J91U), since January 2017. Mr. Perlman was also a director of Vincom Retail Joint Stock Company, a company listed on the Ho Chi Minh City Stock Exchange in Vietnam (Stock Code: VRE), from July 2013 to September 2017, and was re-appointed and has been serving as a director since February 2018.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Perlman graduated from University of Michigan in the United States in April 2005, where he obtained a bachelor's degree in business administration from its Ross School of Business.

Mr. Joseph Raymond GAGNON

Mr. Joseph Raymond Gagnon, aged 41, was appointed as a Director on June 30, 2011 and was re-designated as a non-executive Director on February 22, 2019.

Mr. Gagnon joined Warburg Pincus LLC in September 2005 as a Managing Director, focusing on the firm's real estate investment business in China and Southeast Asia. Mr. Gagnon has served as a non-executive director of Red Star Macalline Group Corporation Ltd., a company listed on the Main Board of the Stock Exchange (Stock Code: 1528), since December 2009 and as director of Vingroup Joint Stock Company, a company listed on the Ho Chi Minh City Stock Exchange, in Vietnam (Stock Code: VIC) since 2013. In addition, he served as a director for Vincom Retail Joint Stock Company, a company listed on the Ho Chi Minh City Stock Exchange, in Vietnam (Stock Code: VRE), from July 2013 until September 2017.

Mr. Gagnon graduated from Wake Forest University in the United States in August 2000, where he obtained a bachelor's degree of science in mathematical economics.

Mr. Zhenhui WANG (王振輝)

Mr. Zhenhui Wang, aged 44, was appointed as a Director on May 10, 2018 and was re-designated as a non-executive Director on February 22, 2019.

Mr. Wang has been the CEO of JD Logistics since April 2017 and is in charge of its logistics operations and services to businesses across a wide range of industries. Prior to this role, he joined JD.com in April 2010 as general manager of its North China region. He has also held leadership roles at JD.com in its Warehousing and Logistics Department from August 2013 to July 2014, and served as President of JD Smart from July 2014 to May 2016.

Mr. Wang graduated from the University of Science and Technology Beijing, in the PRC, in July 1998 where he obtained a Bachelor of Engineering degree and obtained an EMBA degree from China Europe International Business School in November 2016.

Mr. Ho Jeong LEE

Mr. Ho Jeong Lee, aged 52, was appointed as a Director on August 3, 2017 and was re-designated as a non-executive Director on February 22, 2019. He is also a member of the Audit Committee.

Mr. Lee has been an executive of SK since January 2017 to date. In addition to this, Mr. Lee has worked for various SK group companies, including various roles at SK Innovation Co., Ltd, such as Business Development Manager and Marketing Information Manager, from April 1991 to November 2018, various roles at SK Networks, such as Vice President in the Strategy & Planning Division, between June 1999 and December 2016, as well as President at SK Pinx from January 2015 to December 2015.

Mr. Lee graduated from Inha University in South Korea in February 1991, where he obtained a Bachelor of Science in Engineering degree. In August 2008, he further obtained a master's degree from

DIRECTORS AND SENIOR MANAGEMENT

the Korea University in South Korea, in business administration from the Korea University Business School.

Independent non-executive Directors

Mr. Brett Harold KRAUSE

Mr. Brett Harold Krause, aged 51, is an independent non-executive Director and also the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee. He was appointed as an independent non-executive Director on May 20, 2019, effective on the date of this Prospectus.

Mr. Krause has extensive experience in the banking industry in Asia and in corporate management. In March 2018, Mr. Krause became the Chief Strategy Officer at FunPlus. FunPlus engages in digital interactive entertainment with major offices in San Francisco and Beijing. Prior to FunPlus, Mr. Krause was the Managing Partner at PurpleSky Capital LLC, a China-based angel venture capital firm specializing in funding start-ups in high-tech sectors, from July 2016 to February 2018. Mr. Krause was the President of JPMorgan Chase Bank (China) Co. Ltd. from January 2014 to July 2016 and prior to this, he held various senior roles in Citigroup, including CitiService Head of Citibank NA, Taipei in Taiwan from January 1999 to May 2000, e-Business Head of Citibank NA, Tokyo, in Japan, from May 2000 to January 2002, Director and Cash Management Head of Citigroup Global Transaction Services of Citibank NA, Shanghai in Shanghai, PRC, from January 2002 to January 2005, Managing Director and Head of Global Transaction Services of Citibank China Co., Ltd. in Shanghai, PRC, from February 2005 to June 2008, and Citi Country Officer, Vietnam of Citibank NA in Vietnam from July 2008 to December 2013. Mr. Krause has also been an independent board director for both East West Bank (China) Limited since November 2017 and Vincom Retail Joint Stock Company, a company listed on the Ho Chi Minh City Stock Exchange in Vietnam (Stock Code: VRE), since September 2017.

Mr. Krause graduated from Georgetown University in the United States in May 1991, where he obtained a Bachelor of Science degree in foreign service. In May 1996, he further obtained a master's degree in business administration from Columbia Business School of Columbia University in the United States.

The Right Honourable, Sir Hugo George William SWIRE, KCMG, MP

Sir Hugo George William Swire KCMG, MP, aged 59, is an independent non-executive Director and also the chairman of the Nomination Committee. He was appointed as an independent non-executive Director on May 20, 2019, effective on the date of this Prospectus.

Since 2016, Sir Hugo has been the Deputy Chairman of Commonwealth Enterprise and Investment Council and the Chairman of Conservative Middle East Council, as well as the Member of Parliament for East Devon in the United Kingdom since 2001. He has held several ministerial roles in the United Kingdom, including Minister of State for Northern Ireland between 2010 and 2012, as well as Minister of State for the Foreign and Commonwealth Office between 2012 and 2016. Sir Hugo was sworn to the Privy Council of the United Kingdom in 2011, and was awarded a knighthood in the United Kingdom in August 2016.

Sir Hugo has been the chairman of The British Honey Company Ltd, a company that produces local honey products and infused spirits containing honey and local fruit products in the United

DIRECTORS AND SENIOR MANAGEMENT

Kingdom, since March 2018 and prior to this, he also served as an independent non-executive director on the board of Photo-Me International plc, a company listed on the London Stock Exchange in the United Kingdom (Stock Code: PHTM) that operates, sells and services a range of instant service equipment, from 2005 to 2010 as an independent non-executive director, including as the non-executive chairman from 2008 to 2010. Sir Hugo was a non-executive director of Symphony Environmental Technologies Plc, a company whose shares are listed on the London Stock Exchange (Stock Code: SYM) from October 2008 to May 2010. He worked as a deputy director at Sotheby's in London from 1992 to 1996 and as a director from 1996 to 2003, prior to which he was the Head of the National Gallery Trust Office in London from 1988 to 1992.

Sir Hugo attended University of St. Andrews in Scotland, the United Kingdom, where he was studying towards a master's degree in fine arts and medieval history from 1978 to 1979, and attended Royal Military Academy at Sandhurst in the United Kingdom. From 1980 to 1983, Sir Hugo was commissioned as an officer in the 1st Battalion Grenadier Guards.

Mr. Simon James MCDONALD

Mr. Simon James McDonald, aged 57, is an independent non-executive Director and also the chairman of the Audit Committee and a member of the Remuneration Committee. He was appointed as an independent non-executive Director on May 20, 2019, effective on the date of this Prospectus.

Mr. McDonald has extensive experience in real estate and management in APAC and was the head of asset management at Asia Pacific Land from February 2015 to May 2019, and was responsible for the day-to-day oversight of Asia Pacific Land's asset management activities. Prior to this, Mr. McDonald held various roles at GE Capital Real Estate, in Sydney in Australia and Tokyo in Japan, from August 1997 to September 2013, including Managing Director Asia Pacific (Portfolio Strategy), Managing Director Asia Pacific (Asset Management), Managing Director Asia Pacific (Risk Management), Joint Managing Director for Australia and New Zealand, and Director (Risk Management).

Mr. McDonald graduated from The Australian National University in Australia in May 1987, where he obtained a bachelor's degree in economics. In May 1991, he further obtained a master of business from the University of Technology in Sydney, Australia. Mr. McDonald is a member of CPA Australia since April 1987, and subsequently became a fellow member since May 2014. He has also been a fellow of the Financial Services Institute of Australia since June 2005. In addition, Mr. McDonald is a member and a Graduate of the Australian Institute of Company Directors since August 2013 and May 2014, respectively.

Ms. Jingsheng LIU (劉京生)

Ms. Jingsheng Liu, aged 67, is an independent non-executive Director and also a member of the Nomination Committee. She was appointed as an independent non-executive Director on May 20, 2019, effective on the date of this Prospectus.

Ms. Liu has extensive experience in the capital markets in the PRC. She joined China International Capital Corporation Limited ("CICC") in 1996 and is currently the advisory director at CICC. Prior to this, she held various roles within the CICC group, including the chairwoman of Investment Banking Business Committee of CICC, chairwoman and CEO of China International

DIRECTORS AND SENIOR MANAGEMENT

Capital Corporation (Singapore) Pte. Limited, and the Head of the Strategic Research Department of CICC. Prior to joining CICC, Ms. Liu worked at the Department of State Planning and Regional Economy of State Planning Commission (國土規劃和地區經濟司) (currently known as the National Development and Reform Commission (國家發展和改革委員會)) in the PRC.

Ms. Liu graduated from Renmin University of China, in Beijing, PRC in October 1983, where she obtained a bachelor's degree in economics. In November 1992, she further obtained a master's degree in rural development management from Khon Kaen University in Thailand.

Mr. Robin Tom Holdsworth

Mr. Robin Tom Holdsworth, aged 50, is an independent non-executive and also a member of the Audit Committee. He was appointed as an independent non-executive Director on October 14, 2019, effective on the date of this Prospectus.

Mr. Holdsworth has over 20 years of experience in private equity fund management and property consultancy. He is currently the Founder and Managing Director of RTH Advisors Limited. From August 2006 to December 2017, Mr. Holdsworth was the Senior Partner and Co-Founding Partner at LimeTree Capital Advisors Ltd. Prior to this, he held various roles at Jones Lang LaSalle, including (a) its President Director and Country Head in Indonesia from July 2001 to June 2006; (b) its Head of Corporate services in Indonesia from October 1999 to June 2001; and (c) the Associate Director and subsequently its Country Head in Ho Chi Minh City, Vietnam from July 1997 to September 1999. From July 1995 to June 1997, Mr. Holdsworth served as the Hanoi Representative and subsequently the Country Head of Brooke Hillier Parker in Hanoi, Vietnam.

Mr. Holdsworth graduated from the University of Exeter in the United Kingdom in July 1991, where he obtained a bachelor's degree in economic and social history.

SENIOR MANAGEMENT

Members of the senior management of our Group include the following:

Senior Management

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of Joining our Group⁽¹⁾</u>	<u>Responsibility</u>
Mr. Jinchu Shen (沈晉初)	46	Executive Director, Co-founder and co-CEO	July 30, 2011	Responsible for the management and conduct of our business, overall risk control and daily business operation.
Mr. Stuart Gibson	55	Executive Director, Co-founder and co-CEO	July 1, 2006	Responsible for the management and conduct of our business, overall risk control and daily business operation.
Mr. Charles Alexander Portes	50	Executive Director, Co-founder and president	July 1, 2006	Responsible for the management and conduct of our business, overall risk control and daily business operation.

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of Joining our Group ⁽¹⁾	Responsibility
Mr. Wee Peng Cho (鄒偉平)	50	Group Chief Financial Officer	December 19, 2016	Responsible for all aspects of the Group's financial management, including finance (accounting, tax, budgeting & forecasting), financing (debt and equity), risk management and investor relations.

Note:

(1) Date stated is in respect to our Company or applicable predecessor entity.

Mr. Wee Peng CHO (鄒偉平)

Mr. Wee Peng Cho, aged 50, has been serving as the Chief Financial Officer of our Group since December 2016, and is responsible for all aspects of the Group's financial management, including finance (accounting, tax, budgeting & forecasting), financing (debt and equity), and investor relations.

Mr. Cho has over 25 years of experience in finance in international and regional companies in Asia. Mr. Cho was the CFO at SATS Ltd. (Stock Code: S58) and Hyflux Ltd. (Stock Code: 600), both listed on the Singapore Exchange, from July 2013 to November 2016 and from January 2011 to May 2013, respectively. Mr. Cho joined Hyflux Ltd in early 2007 as Senior VP Group Treasurer and Investment Director and was promoted to Group EVP and Chief Investment Officer in December 2008. He held various treasury roles with Dow Chemical in the USA and Asia Pacific, including Finance Risk Manager (Asia Pacific) and Corporate Finance Manager, from May 1998 to February 2007.

Mr. Cho graduated from the Nanyang Technological University in Singapore in April 1993, where he obtained the bachelor's degree in accountancy. He further obtained a master's degree in applied finance from the National University of Singapore in Singapore in August 2001. He has been a Chartered Financial Analyst since September 2001.

Save as disclosed above, none of our Directors and senior management has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Prospectus.

None of our Directors and senior management is related to other Directors and senior management.

Save as disclosed, to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

As of the Latest Practicable Date, save for the interests in the Shares of Mr. Jinchu Shen, Mr. Charles Alexander Portes and Mr. Stuart Gibson, which are disclosed in the section headed "Statutory and General Information—C. Further information about our Directors and Substantial Shareholders—1. Disclosure of interests" in Appendix VIII to this Prospectus, none of our Directors held any interest in the Shares within the meaning of Part XV of the SFO.

DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Richard Kin-sing Lee (李建成), aged 42, joined our Group in September 2018 and was appointed as the company secretary of our Company on February 22, 2019. Mr. Lee has been a solicitor of the High Court of Hong Kong since 2006 and the Supreme Court of England & Wales since 2008. Mr. Lee has over 14 years private practice and in-house legal counsel experience. Mr. Lee was the senior legal counsel of the strategic investment department at Imperial Pacific International Holdings Ltd, a company listed on the Hong Kong Stock Exchange (Stock Code: 1076), from November 2017 to September 2018. Prior to this, Mr. Lee was counsel at Sidley Austin from March 2016 to October 2017, a senior associate at Jun He Law Offices in Hong Kong from April 2015 to February 2016, a senior associate and an associate at DLA Piper Hong Kong from May 2012 to March 2015 and October 2007 to May 2012, respectively, and a solicitor at Jun He Law Offices in Hong Kong in association with X. J. Wang & Co. from October 2006 to October 2007.

Mr. Lee graduated from the University of Hong Kong in December 1999, where he obtained a bachelor's degree in cognitive science. In August 2002, he further obtained a bachelor's degree in law from the University of London (External) in the United Kingdom, before obtaining a postgraduate certificate in law from the University of Hong Kong in June 2003. In November 2004, he obtained a master's degree in law, specializing in banking and finance laws, from the University College London in the United Kingdom.

BOARD COMMITTEES

Our Company has established the Audit Committee, the Remuneration Committee and the Nomination Committee in compliance with the Corporate Governance Code. These committees operate in accordance with their respective terms of reference established by our Board.

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise our financial reporting process and the internal control system of our Group, manage risk, perform internal audit, provide advice and comments to our Board and perform other duties and responsibilities as may be assigned by our Board.

The Audit Committee consists of five members, namely Mr. Simon James McDonald, Mr. Joseph Raymond Gagnon, Mr. Brett Harold Krause, Mr. Ho Jeong Lee and Mr. Robin Tom Holdsworth. The chairman of the Audit Committee is Mr. Simon James McDonald, who is an independent non-executive Director with the appropriate accounting and related financial management expertise.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of our Board on a regular basis and make recommendations to our Board regarding any proposed changes to the composition of our Board; identify, select and make recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board members; assess the

DIRECTORS AND SENIOR MANAGEMENT

independence of our independent non-executive Directors and make recommendations to our Board on relevant matters relating to the appointment, reappointment and removal of our Directors and succession planning for our Directors.

The Nomination Committee consists of three members, namely The Right Honorable Sir Hugo George William Swire, KCMG, MP, Mr. Brett Harold Krause and Ms. Liu Jingsheng (劉京生). The chairman of the Nomination Committee is The Right Honorable Sir Hugo George William Swire, KCMG, MP.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary duties of the Remuneration Committee are to establish, review and provide advice to our Board on the structure of remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning remuneration, determine the terms of the specific remuneration package of each executive Director and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

The Remuneration Committee consists of three members, namely Mr. Brett Harold Krause, Mr. Jeffrey David Perlman and Mr. Simon James McDonald. The chairman of the Remuneration Committee is Mr. Brett Harold Krause.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of our Directors and senior management are paid in the form of salaries, allowances, employee benefits, discretionary bonuses, fees and retirement benefits.

For the three years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, the aggregate amounts of remuneration costs (including remuneration, salaries, equity-settled share options, allowances, contributions to pension schemes, discretionary bonuses and other benefits) incurred by our Company with respect to our Directors and entities related to them were approximately US\$4.5 million, US\$14.3 million, US\$12.2 million and US\$7.1 million, respectively.

Under the arrangements currently in force, it is estimated that the aggregate amounts of remuneration costs (including remuneration, salaries, equity-settled share options, allowances, contributions to pension schemes, discretionary bonuses and other benefits) incurred by our Company with respect to our Directors and entities related to them for the year ending December 31, 2019 will be approximately US\$13.5 million.

For the year ended December 31, 2016, four of the five highest paid individuals were former and current Directors. For the two years ended December 31, 2017 and 2018, three of the five highest paid individuals were Directors. The aggregate amounts of remuneration, salaries, equity-settled share options, allowances, contributions to pension schemes, discretionary bonuses and other benefits incurred by our Company with respect to the highest paid individual and entities related to same in the year ended December 31, 2016 was approximately US\$0.9 million, and with respect to the two remaining highest paid individuals and entities related to same in the two years ended December 31, 2017 and 2018 was approximately US\$1.5 million and US\$3.3 million, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Saved as disclosed in “Accountants’ Report—Directors’ and chief executive’s remuneration” in Appendix I to this Prospectus, for the three years ended December 31, 2016, 2017 and 2018, no fee was paid by the Company to the Directors or the five highest paid employees in connection with their retirement or as compensation for loss of office, or as an inducement to join or upon joining our Company, or for services provided by such persons in connection with the promotion or establishment of the Company. In addition, there have been no arrangements under which a Director waived or agreed to waive any remuneration during the relevant periods. For further details, see the section headed “Accountants’ Report—Directors’ and chief executive’s remuneration” in Appendix I to this Prospectus.

COMPLIANCE ADVISOR

We have engaged Octal Capital Limited as our compliance advisor under Rule 3A.19 of the Listing Rules. The key terms of the engagement are as follows:

- (a) the term will be from the Listing Date to the date when our Company complies with Rule 13.46 of the Listing Rules in respect of the financial results of the first full financial year after the Listing Date is issued, or the termination date of the agreement, whichever is earlier;
- (b) the compliance advisor will provide guidance and advice as to the on-going compliance, requirements and other issues arising out of the Listing Rules and other applicable laws, rules, codes, and guidelines;
- (c) the compliance advisor will, as soon as practicable, inform us of any amendment or supplement to the Listing Rules announced by the Stock Exchange, and of new applicable laws, rules, codes and guidelines or amendments to the same; and
- (d) the compliance advisor will be one of the communication channels between us and the Stock Exchange.

CORPORATE GOVERNANCE CODE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguarding the interests of our Shareholders. To accomplish this, we will comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules and the associated Listing Rules after the Listing.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company as of the Latest Practicable Date and to be issued as fully paid or credited as fully paid immediately following the completion of the Global Offering:

As of the Latest Practicable Date

	US\$
Authorized share capital:	
600,000,000 Class A Shares of US\$0.001 each	\$ 600,000
1,000,000,000 Class B1 Shares of US\$0.001 each	\$ 1,000,000
100,000,000 Class B2 Shares of US\$0.001 each	\$ 100,000
400,000,000 Class B3 Shares of US\$0.001 each	\$ 400,000
500,000,000 Class B4 Shares of US\$0.001 each	\$ 500,000
100,000,000 Class B5 Shares of US\$0.001 each	\$ 100,000
300,000,000 Class B6 Shares of US\$0.001 each	\$ 300,000
200,000,000 Class B7 Shares of US\$0.001 each	\$ 200,000
300,000,000 Class B8 Shares of US\$0.001 each	\$ 300,000
300,000,000 Class B9 Shares of US\$0.001 each	\$ 300,000
300,000,000 Class C Shares of US\$0.001 each	\$ 300,000
300,000,000 Class C Preference Shares of US\$0.001 each	\$ 300,000
Total	\$ 4,400,000
Issued share capital:	
380,126,414 Class A Shares of US\$0.001 each	\$ 380,126.41
876,250,989 Class B1 Shares of US\$0.001 each	\$ 876,250.99
54,684,608 Class B2 Shares of US\$0.001 each	\$ 54,684.61
355,857,177 Class B3 Shares of US\$0.001 each	\$ 355,857.18
422,405,666 Class B4 Shares of US\$0.001 each	\$ 422,405.67
0 Class B5 Shares of US\$0.001 each	\$ 0
261,930,955 Class B6 Shares of US\$0.001 each	\$ 261,930.95
70,721,358 Class B7 Shares of US\$0.001 each	\$ 70,721.36
240,578,861 Class B8 Shares of US\$0.001 each	\$ 240,578.86
26,363,847 Class B9 Shares of US\$0.001 each	\$ 26,363.85
32,714,642 Class C Shares of US\$0.001 each	\$ 32,714.64
89,965,263 Class C Preference Shares of US\$0.001 each	\$ 89,965.26
Total	\$2,811,599.78

Immediately Before and After Completion of the Global Offering, regardless of whether the Over-allotment Option and the Offer Size Adjustment Option are exercised

	US\$
Authorized share capital:	
8,000,000,000 Shares of US\$0.001 each	8,000,000
Issued share capital immediately before completion of the Global Offering:	
2,756,444,643 ⁽¹⁾ Shares of US\$0.001 each	2,756,444.64
Shares to be issued as part of the Global Offering:	
280,140,000 Shares of US\$0.001 each	280,140.00
Total number of issued Shares on completion of the Global Offering	
3,036,584,643 Shares of US\$0.001 each	3,036,584.64

Note:

- (1) The number of issued shares of the Company as of the Latest Practicable Date is 2,811,599,780. Changes will occur to the number of issued shares of the Company between the Latest Practicable Date and immediately before completion of the Global Offering as further described in “History, Development and Corporate Structure—Capitalization of the Company” in this Prospectus.

SHARE CAPITAL

Upon the effectiveness of the Share Redesignation, the issued share capital of our Company shall consist of the Shares (being ordinary shares of our Company with a nominal value of US\$0.001 each).

ASSUMPTIONS

The table above assumes that the Global Offering becomes unconditional and is completed in accordance with the relevant terms and conditions of, and that the Shares are issued pursuant to, the Global Offering. The above does not take into account any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this Prospectus.

KM ESOP, TIER 1 ESOP AND POST-IPO SHARE OPTION SCHEME

We have adopted the KM ESOP and Tier 1 ESOP, and conditionally adopted the Post-IPO Share Option Scheme. The principal terms of the KM ESOP, Tier 1 ESOP and Post-IPO Share Option Scheme are summarized in the section headed “Statutory and General Information—D. KM ESOP, Tier 1 ESOP and Post-IPO Share Option Scheme” in Appendix VIII to this Prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total number of issued Shares of not more than the sum of:

- (a) 20% of the total number of Shares in issue immediately following completion of the Global Offering; and
- (b) the total number of Shares repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

Our Directors may, in addition to the Shares which they are authorized to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement.

This general mandate will remain in effect until the earliest of:

- (a) the conclusion of our Company’s next annual general meeting; or
- (b) the expiry of the period within which our Company is required by any applicable laws or our Articles to hold the next annual general meeting; or
- (c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

SHARE CAPITAL

Further information on this general mandate is set out in the section headed “Statutory and General Information—A. Further Information about our Group—3. Written Resolutions of our Shareholders passed on June 4, 2019 and October 12, 2019” in Appendix VIII to this Prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all of the powers of our Company to repurchase Shares of a total number of not more than 10% of the total number of Shares in issue immediately following the completion of the Global Offering.

This mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information—A. Further Information about our Group—5. Repurchase by our Company of our own Securities” in Appendix VIII to this Prospectus.

This general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of our Company’s next annual general meeting; or
- (b) the expiration of the period within which our Company is required by any applicable laws or our Articles to hold the next annual general meeting; or
- (c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

Further information on this general mandate is set out in the section headed “Statutory and General Information—A. Further Information about our Group—3. Written Resolutions of our Shareholders passed on June 4, 2019 and October 12, 2019” in Appendix VIII to this Prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

Please see the section headed “Summary of the Constitution of our Company and Cayman Companies Law” in Appendix VII to this Prospectus which sets out the circumstances under which general meetings and class meetings are required.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering (assuming the Over-allotment Option and the Offer Size Adjustment Option are not exercised), the following persons will have an interest or a short position in the Shares or the underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings:

Name of shareholders	Nature of interest	Shares held as of the Latest Practicable Date		Upon completion of the Global Offering (assuming the Over-allotment Option and the Offer Size Adjustment Option are not exercised)		Upon completion of the Global Offering (assuming full exercise of the Over-allotment Option but the Offer Size Adjustment Option is not exercised)		Upon completion of the Global Offering (assuming full exercise of the Over-allotment Option and the Offer Size Adjustment Option)	
		Number of shares held	Approximate % of shareholding	Number of Shares held	Approximate % of shareholding	Number of Shares held	Approximate % of shareholding	Number of Shares held	Approximate % of shareholding
WP OCIM (if Luckfield Global Limited is a Selling Shareholder) ⁽¹⁾	Beneficial interest	1,121,410,627	39.89%	732,592,930	24.13%	643,972,161	21.21%	542,058,277	17.85%
WP OCIM ⁽¹⁾ (if Luckfield Global Limited is not a Selling Shareholder)	Beneficial interest	1,121,410,627	39.89%	717,808,954	23.64%	629,188,185	20.72%	527,274,301	17.36%
Mr. Charles Alexander Portes ⁽²⁾	Interest in a controlled corporation	389,933,535	13.87%	421,835,167 ⁽⁶⁾	13.89%	421,835,167 ⁽⁶⁾	13.89%	421,835,167 ⁽⁶⁾	13.89%
Mr. Stuart Gibson ⁽²⁾	Interest in a controlled corporation	389,933,535	13.87%	421,835,167 ⁽⁶⁾	13.89%	421,835,167 ⁽⁶⁾	13.89%	421,835,167 ⁽⁶⁾	13.89%
Redwood Entities ⁽²⁾	Beneficial interest	389,933,535	13.87%	421,835,167 ⁽⁶⁾	13.89%	421,835,167 ⁽⁶⁾	13.89%	421,835,167 ⁽⁶⁾	13.89%
APG-Stichting ⁽³⁾	Beneficial interest	219,334,897	7.80%	211,057,897	6.95%	211,057,897	6.95%	211,057,897	6.95%
Laurels ⁽⁴⁾	Beneficial interest	190,063,207	6.76%	285,758,717 ⁽⁷⁾	9.41%	285,758,717 ⁽⁷⁾	9.41%	285,758,717 ⁽⁷⁾	9.41%
SK	Beneficial interest	336,539,292	11.97%	336,539,292	11.08%	336,539,292	11.08%	336,539,292	11.08%
Jingdong Logistics Group Corporation ⁽⁵⁾	Beneficial interest	240,578,861	8.56%	232,301,861	7.65%	232,301,861	7.65%	232,301,861	7.65%

Notes:

- (1) WP OCIM is a wholly-owned subsidiary of WP X Investment VI Ltd. (“WP X VI”). WP X VI is 96.9% owned by Warburg Pincus X, the general partner of which is Warburg Pincus X, L.P. (“WP X LP”). The general partner of WP X LP is Warburg Pincus X GP L.P., the general partner of which is WPP GP LLC (“WPP GP”). The managing member of WPP GP is Warburg Pincus Partners, L.P. (“WPP”). The general partner of WPP is Warburg Pincus Partners GP LLC, the managing member of which is Warburg Pincus & Co. Accordingly, each of WP X VI, Warburg Pincus X, WP X LP, WPP GP, WPP, Warburg Pincus Partners GP LLC and Warburg Pincus & Co. are deemed to be interested in the Shares held by WP OCIM.
- (2) Redwood Investor is owned as to 42.0% and 58.0% by Kurmasana Holdings, LLC and Redwood Investor (Cayman) Ltd, respectively, of which Kurmasana Holdings, LLC is wholly-owned by Redwood Investor (Cayman) Ltd and the voting rights of Redwood Investor (Cayman) Ltd. are controlled as to 50% and 50% by Mr. Charles Alexander Portes and Mr. Stuart Gibson, respectively. Hence, each of Mr. Charles Alexander Portes, Mr. Stuart Gibson, Redwood Investor (Cayman) Ltd and Kurmasana Holdings, LLC are deemed to be interested in the Shares held by Redwood Investor. Redwood Consulting is owned as to 50.0% and 50.0% by Mr. Charles Alexander Portes and Mr. Stuart Gibson, respectively. Hence each of Mr. Charles Alexander Portes and Mr. Stuart Gibson are deemed to be interested in Shares held by Redwood Consulting.
- (3) APG-AM is the investment manager of APG-Stichting, which is the holder of the relevant Shares. APG-AM is wholly-owned by APG Groep N.V., which is 92.16% owned by Stichting Pensioenfond ABP, which is an investor in APG Strategic Real Estate Pool. Each of Stichting Pensioenfond ABP, APG-AM and APG Groep N.V., are therefore deemed to be interested in the Shares held by APG-Stichting.
- (4) Laurels is wholly owned by The Shen Trust. The settlor of The Shen Trust is Rosy Fortune Limited, the sole shareholder of which is Mr. Jinchu Shen. The trustee of The Shen Trust is Equity Trustee Limited. Rosy Fortune Limited has a deemed interest under the SFO in the Shares held by The Shen Trust in its capacity as settlor of The Shen Trust, Mr. Jinchu Shen has a deemed interest under the SFO in the Shares held by The Shen Trust solely in his capacity as the sole shareholder of the settlor of The Shen Trust and Equity Trustee Limited has a deemed interest under the SFO in the Shares held by The Shen Trust in its capacity as trustee of The Shen Trust.
- (5) Jingdong Logistics Group Corporation is a wholly owned subsidiary of JD.com, Inc., a Cayman Islands company with its American depository shares listed on the Nasdaq Global Select Market. Max Smart Limited, a BVI company beneficially owned by Mr. Richard

SUBSTANTIAL SHAREHOLDERS

Qiangdong Liu through a trust, owned 15.2% of the total outstanding ordinary shares and 72.9% of the total outstanding voting power of JD.com, Inc. as of February 28, 2019. Therefore, each of JD.com, Inc., Max Smart Limited and Mr. Richard Qiangdong Liu is deemed to have beneficial ownership over the Shares held by Jingdong Logistics Group Corporation.

(6) This also includes its interest in 16,899,687 Shares underlying the options pursuant to the Tier 1 ESOP.

(7) This also includes its interest in 3,899,928 Shares underlying the options pursuant to the Tier 1 ESOP.

For information on the other shareholders in the table above, please see the section headed “History, Development and Corporate Structure—Pre-IPO Investments” in this Prospectus.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Global Offering (assuming the Over-allotment Option and the Offer Size Adjustment Option are not exercised), have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings.

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In the following section we discuss our historical financial results for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019. You should read the following discussion and analysis together with our audited consolidated financial statements as of and for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019 and the accompanying notes included in the Accountants' Report set out in Appendix I to this Prospectus. Our consolidated financial statements have been prepared in accordance with IFRS.

This discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and our financial performance and involves risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of any number of factors. In evaluating our business, you should carefully consider the information provided in this Prospectus, including the sections headed "Risk Factors" and "Business" in this Prospectus.

OVERVIEW

We are the largest APAC focused logistics real estate platform by GFA and by value of the Portfolio Assets and have the largest development pipeline in aggregate across the major APAC markets as measured by GFA from July 1, 2019 to December 31, 2020, according to the JLL Report. We develop and manage modern logistics facilities that cater to e-commerce companies, 3PL providers, bricks-and-mortar retailers, manufacturers, cold-chain logistics providers and others in APAC as logistics infrastructure continues to evolve for the modern economy. We focus solely on APAC, which comprised over 3.6 billion people (around 50% of the global population) and over US\$28.6 trillion of GDP (over 33% of the global GDP) in 2018, according to the JLL Report. We currently operate in the PRC, Japan, South Korea, Singapore, Australia and India markets that represent close to 90% of GDP in APAC in 2018, according to the JLL Report.

We hold a portfolio of logistics properties on our balance sheet and manage a broad range of funds and investment vehicles that invest in logistics properties at various stages of the property life cycle across APAC. As of June 30, 2019, we managed 30 private third-party pooled investment vehicles, with over US\$6.3 billion in total equity commitments, and two REITs listed on the SGX-ST with aggregate appraised carrying value of approximately US\$2.9 billion. As of June 30, 2019, our AUM was approximately US\$20.2 billion (of which US\$2.7 billion was on our balance sheet) and comprised approximately 8.5 million sq.m of GFA of completed properties, approximately 4.4 million sq.m of GFA of properties under construction (which we expect to be completed over the next two to five years and the size of which is expected to be more than half of the GFA of our current completed properties) and approximately 2.4 million sq.m of GFA to be built on land held for future development, adding up to over 15.3 million sq.m of GFA in total.

We develop logistics real estate primarily in Tier 1 and 1.5 cities in APAC, targeting strategic locations near key logistics hubs, major seaports, airports, transportation hubs and industrial zones in the PRC, Japan, South Korea, Singapore, Australia and India, which are the markets we believe will

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drive future growth across APAC. The majority of the tenants in the Portfolio Assets service domestic consumption in APAC. According to the JLL Report, APAC's substantial middle class population coupled with rapid economic growth and rising income levels are expected to support rising consumption levels in the region. Private consumption in China, Japan, South Korea, Singapore, Australia and India is forecasted to grow at a CAGR of 8.1% between 2019 and 2023, approximately two times the anticipated 4.0% growth in the US during the same period. As of June 30, 2019, e-commerce and 3PL tenants made up approximately 48.5% of the tenant base of the Portfolio Assets by leased area. In 2016, 2017 and 2018 and for the six months ended June 30, 2019, rental revenues from e-commerce and 3PL tenants in our balance sheet properties amounted to 82.6%, 76.7%, 63.5% and 41.0% of our total rental revenues, respectively. The decrease in the proportion of rental revenues from e-commerce and 3PL tenants in 2017 was due to the disposal of several properties to China Invesco Core Fund from our balance sheet, the majority of which we had leased to e-commerce tenants, and in 2018 was due to rental income from an existing manufacturing tenant in the RW Higashi-Ogishima DC property, which we plan to redevelop into a modern logistics facility. The decrease in the proportion of rental revenues from e-commerce and 3PL tenants in the six months ended June 30, 2019 was due to our acquisition of Propertylink, the property portfolio of which had a higher percentage of traditional logistics and industrial tenants, as well as the disposal of certain balance sheet properties to NCI Core Fund, the majority of which were occupied by e-commerce tenants.

With our APAC-focused business model, we grew significantly during the Track Record Period through organic growth and strategic M&A, increasing our AUM from US\$7.4 billion as of December 31, 2016, to US\$12.0 billion as of December 31, 2017, to approximately US\$16.0 billion as of December 31, 2018 and further to US\$20.2 billion as of June 30, 2019. We have also attracted investments from three out of the top six real estate capital providers globally based on IP&E Real Assets' top 100 ranking of the world's largest real estate investors in 2018. We were ranked #29 in the world in PERE's "Fab 50", the flagship ranking of the private real estate world's top managers (by total annual fundraising amount) in 2018. Our revenue grew by 58.5% from US\$96.7 million in 2016 to US\$153.3 million in 2017, and further grew by 65.8% to US\$254.1 million in 2018. Our revenue grew by 66.3% from US\$93.7 million for the six months ended June 30, 2018 to US\$155.8 million for the six months ended June 30, 2019. Our net profit grew by 91.6% from US\$104.8 million in 2016 to US\$200.8 million in 2017, and further grew by 6.0% to US\$212.9 million in 2018. Our net profit grew by 32.0% from US\$63.7 million for the six months ended June 30, 2018 to US\$84.1 million for the six months ended June 30, 2019. Our total consolidated balance sheet assets grew, which include our investment properties, investments in joint ventures, and financial assets at fair value, by 45.4% from US\$2,101.5 million as of December 31, 2016 to US\$3,054.9 million as of December 31, 2017, and further grew by 45.1% to US\$4,431.6 million as of December 31, 2018 and 34.2% to US\$5,946.0 million as of June 30, 2019.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and we expect them to continue to be, primarily affected by the following factors:

- supply and demand for modern logistics facilities in APAC;
- our ability to source, design, construct, lease and manage the Portfolio Assets;
- our ability to manage our integrated business model and grow multiple sources of income;

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- our ability to continue attracting and maintaining our relationships with capital partners and growing our AUM;
- rental prices, occupancy rates, leasing cycles and fair value change of the Portfolio Assets;
- our expansion through organic growth and strategic acquisitions; and
- our access to capital and cost of financing.

Supply and Demand for Modern Logistics Facilities in APAC

Our business growth and results of operations have benefited from the growth of the consumer economy in APAC. The rise of the new economy in the region has led to increasing demand for modern logistics facilities from e-commerce companies, 3PL providers, bricks-and-mortar retailers, manufacturers, cold-chain logistics providers and others that require larger and more sophisticated logistics networks. Shortages in the supply of modern logistics facilities along with increased demand and the growth of the e-commerce and 3PL industries have been the important drivers of our growth. As of June 30, 2019, e-commerce and 3PL tenants made up approximately 48.5% of the tenant base of the Portfolio Assets by leased area. We believe that both macroeconomic factors such as economic growth, urbanization and domestic consumer spending, as well as industry-specific factors such as the imbalance of supply and demand for modern logistics facilities and growth in the e-commerce and 3PL markets have had, and will continue to have, an impact on the supply and demand for modern logistics facilities and therefore will continue to drive our business. Any changes in these factors could have an impact on the demand for our logistics facilities, which may ultimately affect our results of operations.

Our Ability to Source, Design, Construct, Lease and Manage the Portfolio Assets

A key driver of our results of operations is our ability to source, design, construct, lease and manage the Portfolio Assets. Our business revolves around our strategic decision making with respect to how we source and execute development opportunities and we generate income throughout the development cycle. Our profitability is affected in part by the length of our development cycles and our ability to originate high-quality logistics projects at reasonable costs that will be attractive to prospective tenants and capital partners. Our development costs, including construction costs, marketing expenses, and other expenses, and our ability to secure land at reasonable cost, also affect our profitability. Our cash flows and results of operations are affected by any changes to our property development schedules which may also affect our development budgets. Accordingly, our business depends on our ability to manage the development cycles of the properties held on our balance sheet or by the development funds or investment vehicles we manage to shorten the cash conversion cycle and attain quicker and more attractive returns by disposing of stabilized properties into the core/core-plus funds we manage, and potentially to REITs, on a timely basis, which allows us to redeploy capital into new development projects and grow our portfolio and AUM, which have direct effects on our level of development income as well as fee income.

Our Ability to Manage our Integrated Business Model and Grow Multiple Sources of Income

Our business is affected by our ability to manage our integrated business model which combines our abilities to develop, lease and operate with our ability to fund the Portfolio Assets. We strategically use our own capital on our balance sheet and that of the funds and investment vehicles we manage to scale our business quickly and generate income throughout the development process. We develop logistics properties through our own balance sheet and the development funds that we manage,

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which leverage our development capabilities, and utilize our capital recycling strategy to dispose of the stabilized assets to the core/core-plus funds we manage, and potentially to REITs. As a result, we realize fair value gains on completed investment properties, fair value gains on investment properties under construction and gains on disposal of properties. The disposed assets are also off our balance sheet upon the completion of such transfers. As we continue to recycle our capital and transfer assets on our balance sheet to core and core-plus funds and REITs we manage, we expect that our balance sheet and income statement will continue to change from time to time. For the funds and investment vehicles we manage, we determine the level of our co-investments in order to effectively leverage third party capital in expanding our business. Furthermore, we operate in multiple geographies across APAC. The variety of avenues of development available to us, risk and liquidity profiles in our fund management business and geographies presents challenges in managing our integrated business model, which may ultimately affect our results of operations.

Our business is affected by our ability to grow our multiple sources of income. The timing of our income may fall unevenly across periods and may cause fluctuations in the amount of our income from period to period. For the properties that we develop on our balance sheet, we earn development profits through the development and sale of investment properties to the core/core-plus funds we manage, and potentially to REITs. These development profits vary across periods depending on several factors including development time and subsequent sale of assets and are transaction-specific. For example, in the first half of 2019, we completed the disposal of seven properties with an aggregate gross asset value of approximately US\$276.7 million from our balance sheet to NCI Core Fund, in respect of which we realized gains of US\$16.5 million in the first half of 2019. In August 2017, we disposed of a total of five properties from our balance sheet with an aggregate value of approximately US\$295.7 million to China Invesco Core Fund, which realized gains for us of US\$38.3 million. We also capture the appreciation in value of logistics properties held on our balance sheet and earn rental income. Management fee income from our fund management segment includes base management fees, asset management fees, acquisition fees, development fees and leasing fees. Certain fees, such as base management fees, asset management fees and development fees, are recognized over time, and other fees, such as acquisition fees and leasing fees, are recognized at a point in time. We are also able to participate in a disproportionate share of profits through promote once we exceed a pre-determined target IRR and after our capital partners have received their targeted capital returns. Accordingly, we do not receive promote consistently from period to period. Because we manage multiple funds with varying investment mandates, we can also generate fees such as promote and acquisition fees from the transfer of logistics assets from one fund to another fund we manage. For more information, see the section headed “Business—Principal Business Activities—Fund Management—Fund Management Fees” in this Prospectus. In addition, we derive pro rata earnings and pro rata value appreciation through our co-investments in the funds and investment vehicles we manage.

As a result of our acquisition of CIP in Australia in August 2018, we also began generating construction income through CIP, which provides construction services to its customers. Following completion of the acquisition, we include construction costs in connection with the property development activities of CIP in our cost of sales. We expect the operating results of CIP to have a significant impact on our revenue mix and cost of sales because we did not record construction income and construction costs prior to the acquisition of CIP. Historically, CIP had a lower gross margin than we had, and this will have an impact on our gross margin going forward.

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Our Ability to Continue Attracting and Maintaining our Relationships with Capital Partners and Growing our AUM

We believe that we have developed strong relationships with many blue-chip capital partners who provide the capital needed to maintain and grow our fund management business and our AUM and to take advantage of growth opportunities in key APAC markets at various stages of the development cycle. Our business is affected by our ability to maintain business relationships with our existing capital partners, and attract new capital partners to our platform. Our capital partners are attracted by the performance of the funds and investment vehicles we manage and the investment opportunities we are able to offer. Many of our existing capital partners invest in more than one of our investment vehicles, and some of them have followed us into different countries. For example, investment vehicles managed by the APG Group first invested with us in the PRC in 2014 and subsequently in South Korea in 2015. Also, CPPIB first invested with us in our development fund in South Korea in 2015 and then invested with us in our core fund in South Korea in 2018. Our ability to provide attractive and stable cash flows and yields along with potential growth opportunities to our capital partners will affect our fund management income and results of operations. Our attractiveness to capital partners is also driven in part by the extent to which they continue to view the logistics real estate industry generally, and our projects specifically, as an attractive vehicle for rental income and value appreciation. We seek to develop deeper relationships with new and existing capital partners. However, we operate in a competitive fundraising environment. Our ability to attract and raise funds from new and existing capital partners may materially affect our results of operations.

Rental Prices, Occupancy Rates and Leasing Cycles and Fair Value Change of the Portfolio Assets

Rental Prices. Rental prices affect the returns generated from the Portfolio Assets, and therefore affect our results of operations. With respect to the logistics properties held on our balance sheet, rental prices affect our rental income, appreciation in value and development profits. Through our co-investments in the funds and investment vehicles we manage, rental prices affect our dividend income, pro rata earnings and/or pro rata value appreciation, and also indirectly affect the fees we generate as rental prices affect the rental income generated by, as well as the valuation of, logistics properties held by the funds and investment vehicle we manage. We determine the rent for the Portfolio Assets, both for new tenants and existing tenants upon the expiry of prior rental agreements, based on a number of factors, including our target investment return rate for the logistics facility, the location of the logistics facility, market demand for the logistics facility, tenant relationships, the GFA covered by the lease, duration of the lease and the prevailing market rate for comparable logistics facilities.

Occupancy Rates and Leasing Cycles. Our revenue may vary from period to period depending on occupancy rates and the time it takes to lease the Portfolio Assets. Higher occupancy rates and shorter lease-up periods are favorable to our revenue. Occupancy rates depend on a number of factors, including the overall attractiveness of our logistics facilities, local supply and demand of comparable properties, our tenant mix, rental prices at competing properties, general economic conditions, ability to pre-lease rental space, the amount of capital that our tenants invest in our logistics facilities, which incentivizes longer tenancies, and the ability to minimize the intervals between lease expiries (or terminations) and entry into new leases.

Fair Value Change of the Portfolio Assets. Changes in the fair value of the Portfolio Assets have had a significant effect on our results of operations during the Track Record Period. The fair

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value of the Portfolio Assets is primarily affected by macroeconomic conditions in the relevant country, rental rate growth and capitalization rate movements, the supply of and demand for comparable properties, the rate of overall economic growth, interest rates, inflation and political and economic developments in the areas where the investment properties are located. Investment properties that are under construction are further affected by construction costs and development schedules. We expect continued impact of fair value change on the Portfolio Assets as a result of market fluctuations, and that this will have a significant impact on our results of operations.

Our Expansion Through Organic Growth and Strategic Acquisitions

Our results of operations have been and will be affected by our expansion through organic growth as well as strategic acquisitions, some of which have been accounted for as business combinations. See the paragraph headed “—Business Combinations” in this section of the Prospectus for more details. To execute our growth strategy, we have pursued an APAC-focused expansion plan by leveraging our scale and geographic presence in APAC. Our Company was formed from the January 2016 merger of e-Shang and the Redwood group, two of Asia’s leading logistics platforms, with combined presence in the PRC, Japan and South Korea. In January 2017, we expanded into the Singapore market through our acquisition of ESR-REIT Manager, shortly followed by our entry into the Indian market. In October 2018, we acquired a 100% interest in VITM at a consideration of SGD62.0 million (approximately US\$45.2 million) as part of the VIT Merger. In October 2017, we entered the Australian market via the acquisition of a 19.9% stake in Propertylink and a 14.8% stake in Centuria, and in August 2018 we acquired an 100% equity interest in CIP as the base platform upon which to grow our Australian business. In April 2019, we completed the acquisition of Propertylink. See the sections headed “Business—Overview,” “Business—The Propertylink Acquisition” and “Financial Information—Financial Information of Propertylink” in this Prospectus and the pre-acquisition financial information of Propertylink set out in Appendices II-A and II-B to this Prospectus. In June 2019, we completed the Sabana Manager Acquisition and held approximately 93.8% equity interest in Sabana Manager post-acquisition.

We have grown our asset portfolio through both organic development and single asset and portfolio acquisitions. During the Track Record Period, we grew our Portfolio Assets from 7.3 million sq.m of GFA, operating in three markets as of December 31, 2016, to over 15.1 million sq.m of GFA, operating in six markets as of June 30, 2019. From strategic M&A, such as the 2016 Merger, our acquisition of the ESR-REIT Manager in 2017 and the subsequent merger between ESR-REIT and VIT in 2018, our acquisition of CIP in 2018, and our acquisitions of Propertylink and Sabana Manager in 2019, we have and in the future expect to broaden our market coverage, create investment opportunities, increase our properties owned and managed and provide our capital partners with a wider range of platforms across markets to mobilize their capital.

Our Access to Capital and Cost of Financing

Our business and AUM are affected by our ability to access capital and the cost of the financing we obtain for ourselves and for the funds and investment vehicles we manage. We fund our business operations, including our balance sheet investments, through internally generated funds and external financing, including private equity fundraising, public bond offerings and commercial bank loans, among other things. As of December 31, 2016, 2017 and 2018 and June 30, 2019, we had bank loans and other borrowings of US\$835.3 million, US\$833.4 million, US\$1,460.5 million and US\$2,803.7 million, respectively. Our net gearing ratio (excluding redeemable convertible preference shares),

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which is calculated by dividing our net debt by total assets, was 16.6% as of December 31, 2016, 7.6% as of December 31, 2017, 19.8% as of December 31, 2018 and 30.2% as of June 30, 2019. Some of our outstanding borrowings are subject to floating rates. As commercial banks in the PRC link the interest rates on their bank loans to benchmark lending rates published by the People's Bank of China, any increase in the benchmark lending rates will increase the interest costs related to our developments. As we expanded in scale and improved our balance sheet, the effective interest rates of our bank loans and other borrowings also generally decreased during the Track Record Period. For details, see the paragraph headed “—Indebtedness” in this section of the Prospectus. We incurred finance costs of US\$56.0 million, US\$90.9 million, US\$104.9 million, US\$45.9 million and US\$83.4 million in 2016, 2017 and 2018 and for the six months ended June 30, 2018 and 2019, respectively.

We have historically financed our expansion through various other instruments including preference shares, fixed rate notes and perpetual capital securities. In November 2016, we issued US\$300 million of the Hana Notes with a fixed rate of 6.3% to Hana Private Real Estate Investment Trust No. 16 and Hana Private Real Estate Investment Trust No. 17, which will mature in November 2019. In December 2016, we issued 245,359,810 Class C Preference Shares at an aggregate consideration of US\$300 million which carry a coupon rate of 4.5% per annum. In January 2017, we redeemed 9,814,392 Class C Preference Shares for US\$11.4 million. We plan to redeem both the Class C Preference Shares that are not converted and the Hana Notes upon the completion of the Global Offering using part of the proceeds of the Global Offering. In June 2017, we issued US\$100 million of subordinated perpetual capital securities. In February 2019, we issued SGD150 million (approximately US\$109.4 million) of three year 6.75% fixed rate notes due February 2022 (the “**6.75% Notes**”) under our US\$2.0 billion Multicurrency Debt Issuance Programme. We subsequently issued three further tranches within the same series, two in March 2019 and one in May 2019, amounting to an aggregate of SGD200 million (approximately US\$145.8 million). The aggregate total amount of 6.75% Notes issued to date is SGD350 million (approximately US\$255.2 million). In April 2019, we issued US\$250 million of 7.875% fixed rate notes due April 2022 (the “**7.875% Notes**”) under our US\$2.0 billion Multicurrency Debt Issuance Programme. In July 2019, we subsequently issued a further tranche under the same series amounting to an aggregate of US\$175 million, which was consolidated with the April 2019 issuance to form a single series of US\$425 million 7.875% Notes. Our ability to access capital may affect our ability to generate revenue and other income and gains. Our ability to negotiate lower financing costs may affect our total financing costs and interest expenses, which may in turn affect our net profit.

BASIS OF PRESENTATION

Our historical financial information has been prepared in accordance with IFRS, which comprise all standards and interpretations approved by the International Accounting Standards Board (IASB).

We have adopted IFRS 9 Financial Instruments, effective for the accounting period beginning on January 1, 2018. We have not restated financial information from January 1, 2016 to December 31, 2017 for financial instruments in the scope of IFRS 9. The financial information from January 1, 2016 to December 31, 2017 is reported under IAS 39 Financial Instruments: Recognition and Measurement and is not comparable to the information presented for 2018. The impact of the classification, measurement and impairment requirements are summarized in Note 2.2 to the Accountants' Report set forth in Appendix I to this Prospectus. Since January 1, 2018, the adoption of IFRS 9 has had no significant impact on our financial position and performance as compared to that of IAS 39.

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IFRS 15 Revenue from Contracts with Customers, amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers, and IFRS 16 Leases, together with the relevant transitional provisions, have been adopted by us in the preparation of our historical financial information throughout the Track Record Period. The adoption of IFRS 15 had no significant impact on our financial position and performance during the Track Record Period as compared to that of IAS 18.

By applying IFRS 16, there were increases in both total assets and liabilities of our Group when compared to the total assets and liabilities under IAS 17, and other than this, there was no significant impact on our financial position and performance during the Track Record Period. As of December 31, 2016, 2017, 2018 and June 30, 2019, we recognized right-of-use asset of US\$4.2 million, US\$7.5 million, US\$9.1 million and US\$13.0 million, respectively, and recognized lease liabilities of US\$4.2 million, US\$8.0 million, US\$9.7 million and US\$24.4 million, respectively. Due to the increase of the current portion of the lease liabilities, there were decreases in current ratio when compared to that under IAS 17, and other than this, there was no significant impact on other financial ratios during the Track Record Period.

Our historical financial information has been prepared under the historical cost convention, except for investment properties, available-for-sale investments, financial assets at fair value through other comprehensive income and financial assets and liabilities at fair value through profit or loss, which have been measured at fair value.

Our consolidated financial statements include the financial statements of our Company and our subsidiaries for the Track Record Period.

BUSINESS COMBINATIONS

During the Track Record Period, we have grown and expanded our business organically as well as by acquiring other businesses, some of which have been accounted for as business combinations as described below. See the paragraph headed “—Critical Accounting Policies and Estimates—Business combinations and goodwill” in this section of the Prospectus for a description of the accounting treatment of our business combinations.

Merger with Redwood

In November 2015, our Company, Redwood Investor (and its shareholders) and the then Shareholders of our Company entered into the Merger Agreement, under which our Company and the Redwood Investor agreed to merge the entire issued share capital of: (a) Redwood with e-Shang Galaxy Singapore Pte. Ltd; and (b) Redwood Asian Investments Limited with e-Shang Galaxy Cayman Ltd. Pursuant to the Merger Agreement, our Company agreed to allot the Redwood Investor 389,933,535 Class B4 Shares. The acquisition was completed in January 2016. The transaction was accounted for as a business combination. We elected to measure the non-controlling interest in the Redwood group at the proportionate share of our interest in the acquiree’s identifiable net assets. See the paragraph headed “—Analysis of Selected Consolidated Statements of Financial Position Items—Goodwill and Other Intangible Assets” in this section of the Prospectus for a discussion of the recognition of goodwill. Since the merger, the Redwood business contributed US\$24.5 million to our revenue and US\$40.5 million to our consolidated profit for the eleven months ended December 31, 2016.

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Acquisition of Infinitysub Group

In January 2017, we acquired an 100% equity interest in Nabinvest Oxley Singapore Pte. Ltd., which owned an 100% interest in Cambridge Real Estate Investment Management Pte. Ltd., an 80% indirect interest in Cambridge Industrial Trust Management Limited (the trust manager of Cambridge Industrial Trust (“CIT”)), and an 100% indirect interest in Cambridge Industrial Property Management Pte. Ltd. (the property manager of CIT) for US\$43.9 million. Infinitysub Group serves as the ESR-REIT Manager. The acquisition of Infinitysub Group was accounted for as a business combination as the Infinitysub Group were fully operating companies as of the acquisition dates and providing private equity fund management services. We elected to measure the non-controlling interest in the Infinitysub Group at the proportionate share of our interest in the acquiree’s identifiable net assets. See the paragraph headed “—Analysis of Selected Consolidated Statements of Financial Position Items—Goodwill and Other Intangible Assets” in this section of the Prospectus for a discussion of the recognition of goodwill. Since the acquisition, Infinitysub Group contributed US\$10.6 million to our revenue and US\$3.7 million to our consolidated profit for the eleven months ended December 31, 2017.

Acquisition of CIP

In August 2018, we, through our subsidiary, ESR Developments (Australia) Pty Ltd, completed the acquisition of an 100% equity interest in CIP, which owns several subsidiaries and joint ventures (collectively, the “CIP Group”), at a consideration of AUD40.1 million (approximately US\$27.3 million). CIP is an integrated property development group with a national presence in Australia. The acquisition of CIP was accounted for as a business combination by our management as the CIP Group was fully operating companies as of the acquisition date and providing construction services. See the paragraph headed “—Analysis of Selected Consolidated Statements of Financial Position Items—Goodwill and Other Intangible Assets” in this section of the Prospectus for a discussion of the recognition of goodwill. Since the acquisition, the business of the CIP Group contributed US\$40.7 million to our revenue and US\$1.0 million loss to our consolidated profit for the four months ended December 31, 2018.

Acquisition of VITM

In October 2018, we completed the acquisition of an 100% interest in VITM, an asset management company providing trust management services in Singapore, for a consideration of SGD62.0 million (approximately US\$45.2 million) as part of the VIT Merger. The acquisition of VITM was accounted for as a business combination by our management as VITM was a fully operational company as of the acquisition date and its principal activity is management services in Singapore. See the paragraph headed “—Analysis of Selected Consolidated Statements of Financial Position Items—Goodwill and Other Intangible Assets” in this section of the Prospectus for a discussion of the recognition of goodwill. Since the acquisition, VITM contributed nil to our revenue and US\$0.05 million profit to our consolidated profit for the two months ended December 31, 2018.

Acquisition of Propertylink

In March 2019, we consolidated Propertylink as a subsidiary of our Group, and completed the acquisition of Propertylink in April 2019. The acquisition of Propertylink was identified as a business combination by the management. Propertylink is a fully operational company as at the acquisition date and its principal activity is management services in Australia. See the paragraph headed “—Analysis of

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Selected Consolidated Statements of Financial Position Items—Goodwill and Other Intangible Assets” in this section of the Prospectus for a discussion of the recognition of goodwill. Since March 2019, Propertylink contributed US\$15.5 million to our revenue and US\$4.6 million to our consolidated profit for the period ended June 30, 2019.

Acquisition of Sabana Manager

In June 2019, we completed the acquisition of an additional 51% interest in Sabana Manager. We previously held 42.8% interest in Sabana Manager and accounted for it as an investment in associates. Upon acquisition of the additional interest, Sabana Manager became our subsidiary. The Sabana Manager Acquisition was identified as a business combination by the management. Sabana Manager is a fully operational company as at the acquisition date and its principal activity is management services in Singapore. See the paragraph headed “—Analysis of Selected Consolidated Statements of Financial Position Items—Goodwill and Other Intangible Assets” in this section of the Prospectus for a discussion of the recognition of goodwill. Since the acquisition, Sabana Manager contributed nil to our revenue and our consolidated profit for the period ended June 30, 2019.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies are those accounting policies that reflect significant judgments and which may result in materially different results under different assumptions and conditions.

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operating results. Our management continually evaluates such estimates, assumptions and judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, on an ongoing basis, and recognize any revisions to these accounting estimates in the financial period, in which the estimates are revised and in any future periods affected. There has not been any material deviation from our management’s estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period.

See Notes 2 and 3 to the Accountants’ Report set forth in Appendix I to this Prospectus for details of our significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial position and results of operations. The most significant of these critical accounting policies are set forth below.

Investment Properties

Investment properties comprise completed properties and properties under construction held to earn rentals or for capital appreciation or both. An investment property is measured initially at cost including transaction costs.

Subsequent to initial recognition, investment property is stated at fair value. Any gain or loss arising from the change in the fair values is included in profit or loss in the year in which they arise.

Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the

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retirement or disposal of investment property is recognized in the statement of profit or loss in the year of retirement or disposal.

A transfer is made to an investment property when, and only when, there is a change in the use, evidenced by the end of owner occupation or commencement of an operating lease.

To determine the fair value of investment properties, in the absence of current prices in an active market for similar properties, we consider information from a variety of sources, including:

- (1) current prices in an active market for properties of a different nature, condition or location or subject to different lease or other contracts, adjusted to reflect those differences;
- (2) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and
- (3) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

We engage third-party valuers to perform independent valuations of our completed investment properties and investment properties under construction.

The fair value of our investment properties as of December 31, 2016, 2017 and 2018 and June 30, 2019 was approximately US\$942.9 million, US\$1,189.2 million, US\$1,885.5 million and US\$2,656.5 million, respectively. For further details, including the key assumptions used for fair value measurement, see Note 20 to the Accountants' Report set forth in Appendix I to this Prospectus.

Business Combination and Goodwill

When we acquire a business, we assess the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of our previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The carrying amount of goodwill as of December 31, 2016, 2017 and 2018 and June 30, 2019 was US\$210.5 million, US\$226.2 million, US\$ 285.4 million and US\$340.2 million, respectively.

Impairment testing of goodwill

We determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated.

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Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Assumptions were used in the calculation of the value in use of our cash-generating units for the Track Record Period. Set out below are the key assumptions based on which our management builds its cash flow projections to undertake impairment testing of goodwill:

- Budgeted gross fee income—The basis used to determine the value assigned to the budgeted gross fee income is the average fee income achieved in the year immediately before the budget year, increased for expected market development.
- Discount rates—The discount rates used are before tax and reflect specific risks relating to the relevant units.

Key parameters applied in the cash flow projections are as follows:

	Discount rates			
	As of December 31,			As of
	2016	2017	2018	June 30,
Redwood assets management business	17%	17%	17%	16.7%
Infinitysub asset management business	15%	15%	15%	10.5%
CIP business	9%	9%	9%	N/A
VITM business	11.1%	11.1%	11.1%	N/A
ESR Australia asset management business	N/A	N/A	N/A	10%

	Terminal growth rates			
	As of December 31,			As of
	2016	2017	2018	June 30,
Redwood assets management business	3%	3%	3%	3%
Infinitysub asset management business	3%	3%	3%	2.5%
CIP business	0.35%	0.35%	0.35%	N/A
VITM business	1.2%	1.2%	1.2%	N/A
ESR Australia asset management business	N/A	N/A	N/A	2.5%

In October 2018, we, through the ESR-REIT Manager, acquired all of the issued shares of VITM, the manager of VIT. In 2019, we completed the consolidation of Infinitysub asset management business and VITM asset management business pursuant to the VIT Merger in October 2018. Consequently, as of June 30, 2019, the original Infinitysub asset management business cash-generating unit and VITM business cash-generating unit had been consolidated as a single cash-generating unit, namely Infinitysub asset management business.

Following our acquisition of Propertylink, Propertylink became our subsidiary in March 2019, and as a result, CIP business and Propertylink now share the same management and are consolidated as a single cash-generating unit, namely ESR Australia asset management business. The cash flow projections are derived based on financial budgets after taking into effect the consolidated cash-generating units.

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Based on the results of the goodwill impairment testing, the recoverable amounts of each of our cash-generating units which exceeded its carrying amounts as of the dates indicated are as follows:

	As at December 31,		
	2016	2017	2018
	USD'000	USD'000	USD'000
Redwood assets management business	72,136	101,269	53,386
Infinitysub asset management business	N/A	26,406	14,326
CIP business	N/A	N/A	6,068
VITM business	N/A	N/A	14,067
	<u>72,136</u>	<u>127,675</u>	<u>87,847</u>
	As at June 30,		
	2019		
	USD'000		
Redwood assets management business			20,168
Infinitysub asset management business			42,784
ESR Australia asset management business			51,684
			<u>114,536</u>

An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount. We have included some headroom so that certain changes in the assumptions would not likely cause the carrying amount of our cash generating units to exceed their recoverable amounts.

Sensitivity to changes in assumptions

By applying a certain basis point increase in the discount rate and decrease in the terminal growth rate as follows, it would result in the recoverable amount of each of our cash-generating units being approximately equal to its carrying amount.

	Increase in the discount rate		
	As at December 31,		
	2016	2017	2018
	Basis point	Basis point	Basis point
Redwood assets management business	1,150	1,210	310
Infinitysub asset management business	N/A	1,450	1,130
CIP business	N/A	N/A	1,780
VITM business	N/A	N/A	2,110
	Increase in the discount rate		
	As at June 30,		
	2019		
	Basis point		
Redwood assets management business			120
Infinitysub asset management business			360
ESR Australia asset management business			400

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	Decrease in the terminal growth rate		
	As at December 31,		
	2016	2017	2018
	Basis point	Basis point	Basis point
Redwood assets management business	910	1,140	600
Infinitysub asset management business	N/A	4,510	2,750
CIP business	N/A	N/A	835
VITM business	N/A	N/A	2,120

	Decrease in the terminal growth rate		
	As at June 30,		
	2019		
	Basis point		
Redwood assets management business			190
Infinitysub asset management business			520
ESR Australia asset management business cash- generating unit			670

Any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

For further details of impairment testing of goodwill and sensitivity to changes in assumptions, see Note 21 to the Accountants' Report set forth in Appendix I to this Prospectus.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. We have concluded that we are acting as a principal in all of our revenue arrangements because we typically control the goods or services before transferring them to the customer. The specific recognition criteria described below must also be met before revenue is recognized.

Rental Income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue.

Management Fee Income

Management fee income comprises: (i) base management fees, asset management fees and development management fees, which are recognized over time; and (ii) leasing fee income, acquisition fee income and promote, which are recognized at a point in time. Base management fees are derived from the management of the funds and investment vehicles we manage and are determined based on the total capital commitment or net equity invested as the case may be for these funds. Asset management fees are derived from the management of warehousing projects and are determined based on the fair value of properties. Development fees are earned on a straight line basis in accordance with the relevant project construction cost across the entire construction period. Leasing fees relate to fees earned in consideration of the investment manager carrying out leasing services for the funds and investment vehicles we manage. Acquisition fees relate to fees earned in relation to the acquisition of

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properties by the funds and investment vehicles we manage. Acquisition fees are determined based on the value of the properties acquired and recognized when the services have been rendered. Promote is earned when the performance targets are met.

Solar Energy Income

Solar energy income is recognized based on direct measurements of the value to the customer of the services transferred to date according to contracts with customers. Revenue are recognized based on price specified in the contracts and output delivered to customers.

Construction Income

Construction income is recognized in accordance with the percentage of completion method measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract. The stage of completion is measured by reference to the completion of specific milestones in the construction process. On completion of each milestone, the recoverable costs incurred during the period plus the related fee earned corresponding to the particular milestone is recognized as revenue.

Dividend Income

Dividend income is recognized when the company's right to receive payment is established.

PRINCIPAL COMPONENTS OF OUR CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Revenue

During the Track Record Period, we generated revenue primarily from the leasing of our directly held logistics facilities and the provision of fund management services to the funds and other investment vehicles we manage. Rental income from directly held investment properties is accounted for on a straight-line basis over the lease term. Management fee income includes fees and other income we receive from the management of funds and other investment vehicles, such as base management fees, asset management fees, acquisition fees, development fees, leasing fees and promote.

Following the acquisition of our property development company CIP in Australia in August 2018, we recognized construction income in accordance with the percentage of completion method measured by reference to the completion of specific milestones in the construction process.

We also recognize income from the sales of solar energy from solar panels installed on some of our facilities in Japan. Solar energy income is recognized based on direct measurements of the value to the customer of the services transferred to date according to contracts with the customer. This is because the customers simultaneously receive and consume the benefits provided by the Group.

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The table below sets forth the revenue breakdown, both in absolute amounts and as percentages of our total revenue, for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2016		2017		2018		2018		2019	
	US\$	%	US\$	%	US\$	%	US\$ (unaudited)	%	US\$	%
	(in thousands, except percentages)									
Rental income	50,273	52.0	57,844	37.7	74,311	29.2	32,678	34.9	54,954	35.3
Management fee income	46,464	48.0	94,268	61.5	135,579	53.4	59,033	63.0	61,784	39.7
Construction income ⁽¹⁾	—	—	—	—	40,665	16.0	—	—	37,661	24.2
Solar energy income	—	—	1,177	0.8	3,593	1.4	1,979	2.1	1,364	0.8
Total	96,737	100.0	153,289	100.0	254,148	100.0	93,690	100.0	155,763	100.0

Note:

(1) As a result of our acquisition of CIP in August 2018, we consolidated CIP, which provides construction services to its customers, and recognized construction income of US\$40.7 million and US\$37.7 million in 2018 and the six months ended June 30, 2019, respectively.

Certain management fees, such as base management fees, asset management fees and development fees, are recognized over time, and other management fees, such as acquisition fees, leasing fees and promote, are recognized at a point in time. The management fees recognized over time consist of fees paid on a one-off or periodic basis in relation to our performance obligations that may be satisfied over a period of time. The management fees recognized at a point in time consist of fees earned from providing transaction-based services. As our management fee income increased during the Track Record Period, both types of management fees also increased, primarily as a result of the growth in AUM in the funds and investment vehicles managed by us and an increase in transactional activities. The table below sets forth the management fee income breakdown for the periods indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2016	2017	2018	2018	2019
	(US\$ in thousands)				
Management fee income	46,464	94,268	135,579	59,033	61,784
Over time	35,313	78,457	90,306	29,168	47,822
Point in time	11,151	15,811	45,273	29,865	13,962

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The table below sets forth the revenue based on the location of the assets which generated such revenue, both in absolute amounts and as percentages of our total revenue, for the periods indicated. During the Track Record Period, we have expanded our operations from three to six countries. The PRC, Japan, South Korea and Singapore were the major markets for our revenue generation, and we did not generate revenue from India during the Track Record Period as we only set up the India Fund in November 2018 and started our operation in India shortly after that. Australia became a major market for us after our August 2018 acquisition of CIP and April 2019 acquisition of Propertylink. In the near future, the PRC, Japan, South Korea and Australia will be our major markets for revenue generation.

	Year Ended December 31,						Six Months Ended June 30,			
	2016		2017		2018		2018		2019	
	US\$	%	US\$	%	US\$	%	US\$ (unaudited)	%	US\$	%
	(in thousands, except percentages)									
PRC	62,026	64.1	73,303	47.8	89,008	35.0	44,835	47.9	44,897	28.8
Japan	24,453	25.3	50,441	32.9	64,325	25.3	24,830	26.5	31,740	20.4
South Korea	10,258	10.6	18,934	12.4	37,861	14.9	18,031	19.2	15,581	10.0
Singapore	—	—	10,611	6.9	21,701	8.6	5,994	6.4	8,614	5.5
Australia	—	—	—	—	41,253	16.2	—	—	53,915	34.6
India	—	—	—	—	—	—	—	—	1,016	0.7
Total	96,737	100.0	153,289	100.0	254,148	100.0	93,690	100.0	155,763	100.0

Cost of Sales

Our cost of sales consists of property management fees we paid to third-party on-site property management companies, construction costs and others, which include utility costs, on-site maintenance costs and property insurance costs. We include construction costs in connection with the property development activities of CIP following the completion of the acquisition of CIP. We expect construction costs to account for a significant portion of our cost of sales going forward.

The table below sets forth our cost of sales breakdown, both in absolute amounts and as percentages of our total revenue, for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2016		2017		2018		2018		2019	
	US\$	%	US\$	%	US\$	%	US\$ (unaudited)	%	US\$	%
	(in thousands, except percentages)									
Property management fees ...	1,916	2.0	2,027	1.3	2,292	0.9	1,021	1.1	3,630	2.3
Construction costs ⁽¹⁾	—	—	—	—	39,645	15.6	—	—	36,978	23.7
Others	739	0.8	1,460	1.0	1,805	0.7	1,037	1.1	1,200	0.8
Total	2,655	2.7	3,487	2.3	43,742	17.2	2,058	2.2	41,808	26.8

Note:

(1) As a result of our acquisition of CIP in August 2018, we consolidated CIP, which provides construction services to its customers, and recorded construction costs of US\$39.6 million and US\$37 million in 2018 and the six months ended June 30, 2019, respectively.

Other Income and Gains

Our other income and gains consist primarily of fair value gains on completed investment properties, fair value gains on investment properties under construction, changes in fair value of financial assets and liabilities at fair value through profit or loss, gain on disposal of subsidiaries, gain

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on remeasurement of investment in associate to fair value, interest income, dividend income and exchange gain. The foreign exchange gains or losses in various items in our profit and loss result from the settlement of foreign currency translations, which are translated into the functional currency using prevailing foreign exchange rates at the dates of the relevant transactions or valuation where items are re-measured, and from the translation at the year-end foreign exchange rates of the monetary assets and liabilities denominated in foreign currencies. Such foreign exchange gains or losses differ from exchange differences on translation of foreign operations in other comprehensive income, which are calculated based on certain subsidiaries' financial statements for which non-U.S. dollar functional currencies are translated into the functional currency of U.S. dollars.

The table below sets forth our other income and gains, both in absolute amounts and as percentages of our total other income and gains, for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2016		2017		2018		2018		2019	
	US\$	%	US\$	%	US\$	%	US\$ (unaudited)	%	US\$	%
(in thousands, except percentages)										
Fair value gains on completed investment properties	100,799	74.6	95,179	33.5	109,688	43.1	37,396	49.4	26,800	16.2
Fair value gains on investment properties under construction	5,760	4.2	100,039	35.2	62,779	24.7	8,761	11.6	76,761	46.4
Changes in fair value of financial assets and liabilities at fair value through profit or loss	26,728	19.8	32,739	11.5	44,937	17.7	18,369	24.3	22,818	13.8
Gain on disposal of subsidiaries	32	0.0 ⁽¹⁾	38,311	13.5	2,662	1.0	—	—	16,495	10.0
Gain on remeasurement of investment in associate to fair value	—	—	—	—	—	—	—	—	8,556	5.2
Interest income	502	0.4	2,477	0.9	1,530	0.6	985	1.3	1,768	1.1
Dividend income	—	—	10,679	3.8	25,519	10.1	9,771	12.9	11,848	7.2
Exchange gain	916	0.7	4,431	1.6	—	—	—	—	—	—
Gain on deemed partial disposal of a joint venture	—	—	29	0.0 ⁽¹⁾	—	—	—	—	—	—
Others ⁽²⁾	408	0.3	234	0.0 ⁽¹⁾	7,190	2.8	383	0.5	379	0.1
Total	135,145	100.0	284,118	100.0	254,305	100.0	75,665	100.0	165,425	100.0

Notes:

(1) Less than 0.1%.

(2) Others include a one-off insurance compensation of US\$8.3 million in 2018, for our solar assets that were damaged in a typhoon in Japan in September 2018.

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Fair Value Gains on Completed Investment Properties and Fair Value Gains on Investment Properties Under Construction

Our directly held logistics facilities are accounted for as investment properties and are recorded as non-current assets on our consolidated balance sheets at fair value as of each balance sheet date as determined by independent valuers. Gains or losses arising from changes in the fair value of our completed investment properties are accounted for as gains or losses in our consolidated statements of profit or loss, which may have a substantial effect on our profits. The valuation of property involves the exercise of professional judgment and requires the use of certain bases and assumptions. The fair value of our investment properties may have been higher or lower if a different basis or set of assumptions is used. In addition, upward revaluation adjustments reflect unrealized capital gains on our investment properties as of the relevant balance sheet dates and do not generate any cash inflow for our operations.

The fair value gain or loss of each of our completed investment properties is primarily affected by rental rate growth and capitalization rate movements, the supply of and demand for comparable properties, the rate of overall economic growth, interest rates, inflation and political and economic developments in the areas where the investment properties are located. The fair value gain or loss of each of our investment properties under construction is affected by the above as well as by construction costs and the development schedule of our logistics properties.

See “Risk Factors—Risks Relating to Our Business and Industry—Our profitability may be affected by revaluation of the properties held on our balance sheet, as well as the properties held by the funds and investment vehicles that we manage.”

Changes in Fair Value of Financial Assets and Liabilities at Fair Value Through Profit or Loss

Changes in fair value of financial assets and liabilities at fair value through profit or loss comprise changes in fair value of unquoted equity interests (relating to our equity interests in the funds and investment vehicles we manage) at fair value and listed equity investments at market value. Gains or losses arising from changes in the fair value of these investments are accounted for as gains or losses in our consolidated statements of profit or loss, which may have a substantial effect on our profits.

The fair value of unquoted equity investments is estimated based on our share of the net asset value of the funds and investment vehicles we manage. The funds and investment vehicles we manage were designated at fair value through profit or loss upon initial recognition on the basis that they are managed and have their performance evaluated on a fair value basis, in accordance with our risk management and investment strategies. Fair value determination on the assets managed by these funds and investment vehicles are generally determined by an independent valuer for each of the period end.

Investments in listed equity investments recorded in 2017 represent our investment in the ESR-REIT, which is quoted on the SGX. The market values of these listed equity investments were based on their quoted prices on the stock market as of the period end. Our investment in the ESR-REIT is no longer recorded under financial assets at fair value through profit or loss as this item has been re-classified as equity instruments designated at fair value through other comprehensive income due to our adoption of IFRS 9 since January 1, 2018.

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Gain on Disposal of Subsidiaries

Gain on disposal of subsidiaries represents our gain from sale of our equity interest in our subsidiaries holding investment properties to the core/core-plus funds and investment vehicles we manage or third parties. In August 2017, we disposed of approximately US\$295.7 million in logistics property assets which were held on our balance sheet to China Invesco Core Fund, pursuant to which we recorded gains of US\$38.3 million. In November 2018, we disposed of a 50% interest in our subsidiary, ESR India Logistics Fund Pte Ltd., to a global real estate investor based in Germany, which allowed us to record a gain of US\$2.7 million. In the first half of 2019, we completed the disposal of seven properties with an aggregate gross asset value of approximately US\$276.7 million from our balance sheet to NCI Core Fund, which realized gains for us of US\$16.5 million in the first half of 2019. We expect to continue recording this income source as we continue implementing our capital recycling strategy by disposing of income-yielding investment properties on our balance sheet to the funds and investment vehicles we manage, or other third parties.

Dividend Income

Dividend income represents dividends received primarily from our equity investments in publicly listed securities and our investments in the funds and investment vehicles we manage.

Administrative Expenses

The components of our administrative expenses include headcount-related employee wages, salaries and benefit expenses, professional fees, including legal and due diligence fees, valuation fees and auditing fees, associated with our M&A transactions as well as fundraising and financing activities, depreciation and amortization. We also record property taxes under administrative expenses.

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The table below sets forth the breakdown of our administrative expenses, both in absolute amounts and as percentages of our total revenue, for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2016		2017		2018		2018		2019	
	US\$	%	US\$	%	US\$	%	US\$ (unaudited)	%	US\$	%
(in thousands, except percentages)										
Wages, salaries and related costs	26,180	27.1	39,355	25.7	56,302	22.2	19,476	20.8	33,884	21.8
Equity-settled share option expense	75	0.0 ⁽¹⁾	11,923	7.8	23,157	9.1	11,961	12.8	9,885	6.3
Professional service fee	11,381	11.8	21,660	14.1	21,584	8.5	8,462	9.0	19,910	12.8
Depreciation of property, plant and equipment	648	0.7	1,242	0.8	1,812	0.7	824	0.9	2,063	1.3
Amortization of other intangibles and right-of-use assets	5,411	5.6	6,819	4.4	8,414	3.3	3,831	4.1	5,233	3.4
Other tax expenses . .	4,114	4.3	6,137	4.0	8,884	3.5	3,576	3.8	4,608	3.0
Loss on disposal of items of property, plant and equipment	74	0.0 ⁽¹⁾	81	0.1	9,697	3.8	148	0.2	316	0.2
Other finance cost . .	904	0.9	6,605	4.3	3,311	1.3	—	0.0 ⁽¹⁾	1,010	0.6
Lease expenses	640	0.7	1,183	0.8	1,689	0.7	828	0.9	1,909	1.2
Others ⁽²⁾	8,295	8.6	11,838	7.7	19,717	7.8	6,087	6.5	12,803	8.2
Total	57,722	59.7	106,843	69.7	154,567	60.8	55,193	58.9	91,621	58.8

Notes:

(1) Less than 0.1%.

(2) Others include mainly exchange losses, traveling and entertainment costs.

Equity-settled Share Option Expense

In November 2015 and November 2017, the Board approved the Tier 1 ESOP and the KM ESOP, respectively, for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of our operations. Eligible participants of the Tier 1 ESOP are our shareholders including WP OCIM, Laurels and Redwood Consulting. For details of the eligible participants of the Tier 1 ESOP, see “Statutory and General Information—D. KM ESOP, Tier 1 ESOP and Post-IPO Share Option Scheme—2. Tier 1 ESOP” in Appendix VIII to this Prospectus. Eligible participants of the KM ESOP include our Directors and employees. Equity-settled share option expense constitutes a portion of salaries and benefits, which is reflected in our administrative expenses. The fair value of the share options granted in the years ended December 31, 2016, 2017 and 2018 and for the six months ended June 30, 2018 and 2019 was nil, US\$31.3 million, US\$36.5 million, US\$35.8 million and US\$2.6 million, respectively. The fair value of equity-settled share options granted during the year was estimated as of the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. We recognized equity-settled share option expenses of approximately US\$75,000 (from pre-2016 grants), US\$11.9 million, US\$23.2 million, US\$12.0 million and US\$9.9 million for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively. We expect to incur less share-based

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compensation expenses under our pre-IPO share option schemes after the completion of the Global Offering, as there will not be any new grants under those schemes. We expect share-based compensation expenses after the completion of the Global Offering will be largely driven by new grants under the Post IPO Share Option Scheme.

Fair Value Loss on Derivative Financial Instruments

In 2016, we had a fair value loss on derivative financial instruments of US\$12.1 million resulting from warrant instruments outstanding at the time. The warrant instruments were issued in connection with certain loan facility agreements entered into in December 2013 and August 2015. Upon issuance in December 2015, the warrant instruments were accounted for as financial liability designated at fair value through profit or loss. Upon the repayment of the relevant loans in November 2016, the derivative component of the warrant instruments, which was an obligation to deliver a number of equity instruments, was determined and became fixed, and the derivative component of the instruments was reclassified from financial liability to equity in 2016, and thus there will be no additional fair value gain or loss related to these warrant instruments in 2017 and subsequent years.

Finance Costs

Our finance costs consist primarily of interest expense on bank loans, interest expense on other borrowings, and interest on redeemable convertible preference shares.

The table below sets forth our finance costs for the periods indicated.

	Year Ended December 31,			Six Months Ended June 30,	
	2016	2017	2018	2018	2019
	(US\$ in thousands)			(unaudited)	
Interest expense on the bank loans . . .	24,491	35,666	39,603	12,926	34,843
Interest expense on other borrowings ⁽¹⁾	37,707	18,339	21,718	10,334	12,231
Interest expense on bonds	—	—	—	—	11,102
Interest expense on lease liabilities . . .	97	291	428	192	701
Interest on redeemable convertible preference shares ⁽²⁾	—	41,327	45,610	23,318	26,101
	62,295	95,623	107,359	46,770	84,978
Less: interest capitalized	(6,303)	(4,720)	(2,430)	(827)	(1,615)
Total	55,992	90,903	104,929	45,943	83,363

Notes:

- (1) Includes non-recurring interest expense of US\$18.3 million, US\$20.8 million, US\$10.4 million and US\$10.4 million in 2017 and 2018 and for the six months ended June 30, 2018 and 2019, respectively, on the Hana Notes which we intend to redeem upon the completion of the Global Offering. We do not expect to incur any additional finance costs with respect to the Hana Notes following the completion of the Global Offering.
- (2) In 2016, 2017 and 2018 and for the six months ended June 30, 2018 and 2019, interest on redeemable convertible preference shares included dividends associated with the Class C Preference Shares amounting to nil, US\$13.0 million, US\$13.0 million, US\$6.5 million and US\$6.5 million, respectively, and costs associated with the equity element of the Class C Preference Shares amounting to nil, US\$28.4 million, US\$32.7 million, US\$16.8 million and US\$19.6 million, respectively. We intend to redeem our Class C Preference Shares that are not converted upon the Global Offering becoming unconditional using part of the proceeds from the Global Offering.

Over the Track Record Period, the absolute amount of our finance costs increased, primarily due to the increases in our bank borrowings to support our business growth and net currency exchange gains in connection with the proceeds from the issuance of redeemable convertible preference shares in

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2017. Interest on bank borrowings continued to grow during the Track Record Period, primarily due to the increases in our bank borrowings to support our business growth. See the paragraph headed “—Indebtedness” in this section of the Prospectus for further details of our bank borrowings.

In December 2016, we issued 245,359,810 Class C Preference Shares, which carry a coupon rate of 4.5% per annum, for an aggregate consideration of US\$300.0 million. In January 2017, we redeemed 9,814,392 Class C Preference Shares for US\$11.4 million. In 2017 and 2018 and the six months ended June 30, 2018 and 2019, interest on Class C Preference Shares was US\$41.3 million, US\$45.6 million, US\$23.3 million and US\$26.1 million, respectively, including both the dividends associated with the Class C Preference Shares and the costs associated with the equity element of the Class C Preference Shares. In November 2016, we issued US\$300 million of the Hana Notes which will mature in 2019. In 2017 and 2018 and the six months ended June 30, 2018 and 2019, we incurred interest expense in connection with the Hana Notes in the amount of US\$18.3 million, US\$20.8 million, US\$10.4 million and US\$10.4 million, respectively. We plan to redeem the Hana Notes and the Class C Preference Shares that are not converted upon the completion of the Global Offering using part of the proceeds from the Global Offering.

Share of Profits and Losses of Joint Ventures and Associates, Net

Our share of profits and losses of joint ventures and associates, net, represents primarily our share of profits of joint ventures, E-Shang Star and Sunwood Star Pte. Ltd. (“**Sunwood Star**”), less our share of losses, if any, of the joint ventures. E-Shang Star is focused on development projects in the PRC while Sunwood Star is focused on development projects in South Korea. Prior to the completion of the Sabana Manager Acquisition in June 2019, our share of profits and losses of joint ventures and associates, net, also included our share of profits of an associate, Sabana Manager, the equity interest of which was held by us as to 45% as of December 31, 2018, less our share of losses, if any, of such associate.

Income Tax Expense

Our income tax expense consists of current tax and deferred tax components. ESR Cayman Limited was incorporated in the Cayman Islands as an exempted company with limited liability and is exempted from Cayman Islands income tax. During the Track Record Period, our subsidiaries were incorporated in the Cayman Islands, BVI, Hong Kong, the PRC, Japan, South Korea, Singapore, Australia, India and others. See the paragraph headed “—Taxation” in this section of the Prospectus for details. During the Track Record Period, our deferred tax assets resulted primarily from losses available for offsetting against future taxable profits, employee benefits payable and accrued expenses. Our deferred tax liability resulted primarily from fair value adjustments on investment properties and financial assets at fair value through profit or loss and acquisition of subsidiaries.

	Year Ended December 31,			Six Months Ended June 30,	
	2016	2017	2018	2018	2019
				(unaudited)	
	(US\$ in thousands)				
Current tax	643	20,131	13,871	6,173	17,577
Deferred tax	34,245	52,209	43,838	11,098	21,059
Total	34,888	72,340	57,709	17,271	38,636

The table below sets forth a reconciliation of the tax expense applicable to profit before tax using the applicable rates for the regions in which our Company and our subsidiaries are domiciled to

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the aggregate tax expense, and the consequential effective tax rates are as set forth below, for the periods indicated.

	Year Ended December 31,			Six Months Ended June 30,	
	2016	2017	2018	2018	2019
	(US\$ in thousands)			(unaudited)	
Profit before tax	139,732	273,174	270,587	80,962	122,713
Tax at the statutory tax rate	35,108	72,917	62,058	17,556	23,865
Profits attributable to joint ventures . .	(1,571)	(1,640)	(7,641)	(1,046)	(2,190)
Income not subject to tax	—	(267)	—	—	—
Non-deductible expenses	1,351	1,528	3,292	761	1,358
Unrecognized deductible temporary differences	—	(198)	—	—	134
Effect of withholding tax	—	—	—	—	15,469
Tax charge	34,888	72,340	57,709	17,271	38,636

In 2016, 2017 and 2018 and for the six months ended June 30, 2018 and 2019, our effective tax rates, calculated by dividing our income tax expense by our profit before income tax, were 25.0%, 26.5%, 21.3%, 21.3% and 31.5%, respectively.

TAXATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law and is exempted from the payment of income tax in the Cayman Islands. Additionally, dividend payments made by us are not subject to withholding tax in the Cayman Islands. During the Track Record Period, we did not declare any dividend payments and did not incur any withholding tax in the Cayman Islands.

Our subsidiaries incorporated in BVI are not subject to any income tax. Additionally, dividend payments made by us are not subject to withholding tax in BVI. During the Track Record Period, we did not declare any dividend payments and did not incur any withholding tax in BVI.

We are subject to Hong Kong profits tax at a rate of 16.5% on the estimated assessable profits arising in Hong Kong in 2016, 2017 and 2018. There is no withholding tax on the dividends distributed from our Hong Kong subsidiaries. During the Track Record Period, we did not declare any dividend payments and did not incur any withholding tax in Hong Kong.

According to the EIT Law, the income tax rates for both domestic and foreign investment enterprises in the PRC are unified at 25% in 2016, 2017 and 2018. Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from foreign investment enterprises established in the PRC. The requirement is effective from January 1, 2008 and applies to earnings after December 31, 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. We are, therefore, liable to withholding taxes on dividends distributed by our subsidiaries, joint ventures and associates established in the PRC in respect of earnings generated from January 1, 2008 onwards. Our subsidiaries incorporated in PRC are subject to a EIT rate of 25% under the EIT Law during the Track Record Period.

Our subsidiaries incorporated in Japan are subject to Japanese income tax at the rate of 30.86% in 2016, 2017 and 2018. Dividend payments made by our subsidiaries in Japan are subject to

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withholding tax of 5% for foreign investors, and 20.42% for domestic investors. During the Track Record Period, we declared a dividend of US\$2.75 million in total in September 2018, which was paid in December 2018. The withholding tax incurred with respect to this dividend payment in Japan was US\$349.6 thousand.

Our subsidiary incorporated in South Korea is subject to South Korean corporate income tax at the rate of 24.2%, 24.2% and 27.5% in 2016, 2017 and 2018, respectively. Dividend payments made by our subsidiaries in South Korea are subject to withholding tax of 15% in South Korea. During the Track Record Period, we did not declare any dividend payments and did not incur any withholding tax in South Korea.

Our subsidiary incorporated in Singapore is subject to Singapore income tax at the rate of 17% during the Track Record Period on the profits, including those arising from sources outside Singapore and received in Singapore. Additionally, dividend payments made by our subsidiary in Singapore are not subject to withholding tax in Singapore. During the Track Record Period, we did not declare any dividend payments and did not incur any withholding tax in Singapore.

Our subsidiary incorporated in Australia is subject to Australian corporate income tax at the rate of 30% in 2016, 2017 and 2018. Dividend payments made by our subsidiaries in Australia are subject to withholding tax of 30% in Australia. During the Track Record Period, we did not declare any dividend payments and did not incur any withholding tax in Australia.

Our subsidiary incorporated in India is subject to Indian income tax at the rate of 30% in 2016, 2017 and 2018. Dividend payments made by our subsidiaries in India are subject to withholding tax of 15% in India. During the Track Record Period, we did not declare any dividend payments and did not incur any withholding tax in India.

NON-IFRS MEASURES

To supplement our consolidated results which are prepared and presented in accordance with IFRS, we also use adjusted net profit and adjusted EBITDA as additional financial measures, which are not required by, or presented in accordance with IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. The use of these non-IFRS measures have limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies.

Adjusted Net Profit

We define adjusted net profit as our profit for the year, adding back certain non-cash items, including write-off related to loss of property, plant and equipment, fair value loss on derivative financial instruments, exchange loss/(gain), and equity-settled share option expense, along with certain non-recurring items excluding one-off insurance compensation and fair value gains on completed investment properties and investment properties under construction, and adjusting for the effect of taxes on these adjustments. The use of adjusted net profit has material limitations as an analytical tool, as it does not include all items that impact our profit for the year attribute to the owners of our Company. Our presentation of this non-IFRS measure should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

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Our adjusted net profit increased from US\$36.2 million in 2016 to US\$61.9 million in 2017, primarily due to the growth in our revenue, including rental income and management fee income, higher gain on disposal of subsidiaries, partially offset by the growth in administrative expenses, and finance costs, in connection with the expansion of our business. Our adjusted net profit increased from US\$61.9 million in 2017 to US\$110.0 million in 2018, primarily due to the continued growth in our revenue, including rental income and management fee income, the inclusion of construction income as a result of the consolidation of CIP following the completion of our acquisition of CIP in August 2018, and higher dividend income, partially offset by the increases in our cost of sales, including construction costs attributable to CIP, which we acquired in August 2018, lower gain on disposal of subsidiaries and higher administrative expenses in connection with the expansion of our business. Our adjusted net profit decreased from US\$39.9 million for the six months ended June 30, 2018 to US\$9.4 million for the six months ended June 30, 2019 primarily due to (i) the deduction of a significantly higher fair value gain on investment properties under construction driven by the fair value gains on investment properties under construction from the RW Higashi-Ogishima DC property after it was reclassified to an investment property under construction in the second half of 2018 due to our plan to redevelop it into a modern logistics facility and the increased construction activities associated with the RW Higashi-Ogishima DC property in the first half of 2019 and (ii) the increases in our cost of sales in connection with our revenue growth and business expansion, including construction costs attributable to CIP, which we acquired in August 2018, partially offset by (iii) higher tax effects of adjustment items.

Adjusted EBITDA

We define adjusted EBITDA as our profit before tax, adding back depreciation and amortization, exchange loss/(gain), finance costs, equity-settled share option expense, fair value loss on derivative financial instruments, write-off related to loss of property, plant and equipment and the listing expenses, and eliminating the effect of interest income, one-off insurance compensation and fair value gains on completed investment properties and investment properties under construction. The use of adjusted EBITDA has certain limitations because it does not reflect all items of income and expenses that affect our operations. Items excluded from adjusted EBITDA are significant components in understanding and assessing our operating and financial performance. Each of these items should also be considered in the overall evaluation of our results. Additionally, adjusted EBITDA does not consider changes in working capital, capital expenditures and other investing expenditures and should not be considered as a measure of our liquidity. The term adjusted EBITDA is not defined under IFRS, and adjusted EBITDA is not a measure of profit and total comprehensive income or liquidity presented in accordance with IFRS.

Our adjusted EBITDA significantly increased from US\$106.0 million in 2016 to US\$181.9 million in 2017, primarily due to the growth in our revenue as discussed above and higher gain on disposal of subsidiaries, partially offset by the growth in administrative expenses we incurred in connection with the expansion of our business. Our adjusted EBITDA increased from US\$181.9 million in 2017 to US\$239.6 million in 2018, primarily due the growth in our revenue as discussed above, partially offset by the increases in our cost of sales, including construction costs attributable to CIP, which we acquired in August 2018, lower gain on disposal of subsidiaries and higher administrative expenses as a result of the growth of the scale of our operations. Our adjusted EBITDA increased from US\$96.4 million for the six months ended June 30, 2018 to US\$125.2 million for the six months ended June 30, 2019 primarily due to the growth in our revenue as discussed above, including our acquisition of Propertylink in March 2019, and the adding back of higher finance costs

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due to an increase in interest expenses on bank loans and other borrowings attributable to the consolidation of Propertylink into our Group in March 2019 and new bank loans and bonds to support our business growth and acquisitions, partially offset by the deduction of significantly higher fair value gains on investment properties under construction, increases in costs of sales, including construction costs of sales attributable to CIP, which we acquired in August 2018, and higher administrative expenses as a result of the growth of the scale of our operations.

Reconciliation

The following tables set forth the reconciliations of our non-IFRS financial measures for the periods indicated to the nearest measures prepared in accordance with IFRS:

	Year Ended December 31,			Six Months Ended June 30,	
	2016	2017	2018	2018	2019
	(US\$ in thousands)				
Profit for the year/period	104,844	200,834	212,878	63,691	84,077
Add:					
Write-off related to loss of property, plant and equipment ⁽¹⁾	—	—	9,632	—	—
Fair value loss on derivative financial instruments ⁽²⁾	12,133	—	—	—	—
Exchange loss/(gain) ⁽³⁾	(916)	(4,431)	869	41	1,761
Equity-settled share option expense ⁽⁴⁾	75	11,923	23,157	11,961	9,885
Tax effects of adjustments	26,640	48,804	44,317	10,341	17,229
Less:					
One-off insurance compensation	—	—	(8,338)	—	—
Fair value gains on completed investment properties ⁽⁵⁾	(100,799)	(95,179)	(109,688)	(37,396)	(26,800)
Fair value gains on investment properties under construction ⁽⁶⁾	(5,760)	(100,039)	(62,779)	(8,761)	(76,761)
Adjusted net profit	36,217	61,912	110,048	39,877	9,391

Notes:

- (1) Represents a write-off of property, plant and equipment due to the damage of certain solar assets in Japan by a typhoon in September 2018.
- (2) Represents an one-off fair value loss on derivative financial instruments related to warrant instruments in connection with certain loan facilities entered into in December 2013 and August 2015. Upon the repayment of the relevant loans in November 2016, no additional fair value gain or loss related to these warrant instruments is recognized in 2017 and subsequent years.
- (3) Represents the exchange loss/(gain) related to foreign currency translation impacts. Foreign currency translations are volatile in nature and depend primarily on movements in the global exchange rates and the macroeconomic environment, both of which are beyond our control. We do not consider exchange loss/(gain) directly related to our ability to generate revenue from our daily operations, and therefore this line item has been adjusted to facilitate comparison of our operating performance across periods.
- (4) Represents share-based compensation expenses incurred in connection with our pre-IPO share option schemes. We do not consider such amounts indicative of our profit from operations post-completion of our Listing, and therefore we believe that adjusting for share-based compensation expenses incurred in connection with our pre-IPO share option schemes in the past periods will facilitate the comparison of our operating performance across periods.
- (5) Represents the fair value gains on completed investment properties that the Company holds on its balance sheet. The completed investment properties are subject to periodic revaluation by independent property valuers.
- (6) Represents the development-profit related appreciation of the Company's under-construction balance-sheet properties. They are primarily affected by the construction progress of these projects (and to a lesser extent by factors such as rental growth and capitalization rates) which in turn, determines the development-related appreciation that we are able to generate on these projects.

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	Year Ended December 31,			Six Months Ended June 30,	
	2016	2017	2018	2018	2019
	(US\$ in thousands)				
Profit before tax	139,732	273,174	270,587	80,962	122,713
Add:					
Depreciation and amortization	6,059	8,061	10,226	4,655	7,296
Exchange loss/(gain) ⁽¹⁾	(916)	(4,431)	869	41	1,761
Finance costs	55,992	90,903	104,929	45,943	83,363
Equity-settled share option expense ⁽²⁾	75	11,923	23,157	11,961	9,885
Fair value loss on derivative financial instruments ⁽³⁾	12,133	—	—	—	—
Write-off related to loss of property, plant and equipment ⁽⁴⁾	—	—	9,632	—	—
Listing Expenses ⁽⁵⁾	—	—	2,521	—	5,478
Less:					
Interest income	(502)	(2,477)	(1,530)	(985)	(1,768)
One-off insurance compensation	—	—	(8,338)	—	—
Fair value gains on completed investment properties ⁽⁶⁾ ...	(100,799)	(95,179)	(109,688)	(37,396)	(26,800)
Fair value gains on investment properties under construction ⁽⁷⁾	(5,760)	(100,039)	(62,779)	(8,761)	(76,761)
Adjusted EBITDA	106,014	181,935	239,586	96,420	125,167

Notes:

- (1) Represents the exchange loss/(gain) related to foreign currency translation impacts. Foreign currency translations are volatile in nature and depend primarily on movements in the global exchange rates and the macroeconomic environment, both of which are beyond our control. We do not consider exchange loss/(gain) directly related to our ability to generate revenue from our daily operations, and therefore this line item has been adjusted to facilitate comparison of our operating performance across periods.
- (2) Represents share-based compensation expenses incurred in connection with our pre-IPO share option schemes. We do not consider such amounts indicative of our profit from operations post-completion of our Listing, and therefore we believe that adjusting for share-based compensation expenses incurred in connection with our pre-IPO share option schemes in the past periods will facilitate the comparison of our operating performance across periods.
- (3) Represents an one-off fair value loss on derivative financial instruments related to warrant instruments in connection with certain loan facilities entered into in December 2013 and August 2015. Upon the repayment of the relevant loans in November 2016, no additional fair value gain or loss related to these warrant instruments is recognized in 2017 and subsequent years.
- (4) Represents a write-off of property, plant and equipment due to the damage of certain solar assets in Japan by a typhoon in September 2018.
- (5) Represents the listing expenses in connection with the proposed Global Offering.
- (6) Represents the fair value gains on completed investment properties that the Company holds on its balance sheet. The completed investment properties are subject to periodic revaluation by independent property valuers.
- (7) Represents the development-profit related appreciation of the Company's under-construction balance-sheet properties. They are primarily affected by the construction progress of these projects (and to a lesser extent by factors such as rental growth and capitalization rates) which in turn, determines the development-related appreciation that we are able to generate on these projects.

In light of the foregoing limitations for non-IFRS measures, when assessing our operating and financial performance, you should not consider adjusted net profit and adjusted EBITDA in isolation, as a substitute for or superior to, our profit for the year, our operating profit for the period or any other operating performance measure that is calculated in accordance with IFRS. In addition, because these measures may not be calculated in the same manner by all companies, they may not be comparable to other similar titled measures used by other companies. Our presentation of non-IFRS measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

RESULTS OF OPERATIONS

The following table sets forth our consolidated income statement, both in absolute amounts and as percentages of our total revenue, for the periods indicated. This information should be read together

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with our consolidated financial statements and related notes included elsewhere in this Prospectus. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	Year Ended December 31,						Six Months Ended June 30,			
	2016		2017		2018		2018		2019	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
	(in thousands, except percentages)									
Revenue	96,737	100.0	153,289	100.0	254,148	100.0	93,690	100.0	155,763	100.0
Cost of sales	(2,655)	(2.7)	(3,487)	(2.3)	(43,742)	(17.2)	(2,058)	(2.2)	(41,808)	(26.8)
Gross Profit	94,082	97.3	149,802	97.7	210,406	82.8	91,632	97.8	113,955	73.2
Other income and gains	135,145	139.7	284,118	185.2	254,305	100.1	75,665	80.7	165,425	106.2
Administrative expenses	(57,722)	(59.7)	(106,843)	(69.7)	(154,567)	(60.8)	(55,193)	(58.9)	(91,621)	(58.8)
Fair value loss on derivative financial instruments	(12,133)	(12.6)	—	—	—	—	—	—	—	—
Finance costs	(55,992)	(57.9)	(90,903)	(59.3)	(104,929)	(41.3)	(45,943)	(49.0)	(83,363)	(53.5)
Share of profits and losses of joint ventures and associates, net	36,352	37.6	37,000	24.1	65,372	25.7	14,801	15.8	18,317	11.7
Profit before tax	139,732	144.4	273,174	178.2	270,587	106.5	80,962	86.4	122,713	78.8
Income tax expense	(34,888)	(36.1)	(72,340)	(47.2)	(57,709)	(22.7)	(17,271)	(18.4)	(38,636)	(24.8)
Profit for the year	104,844	108.3	200,834	131.0	212,878	83.8	63,691	68.0	84,077	54.0
Attributable to:										
Owners of the parent	88,267	91.2	186,265	121.5	203,042	79.9	61,793	66.0	75,950	48.8
Non-controlling interests	16,577	17.1	14,569	9.5	9,836	3.9	1,898	2.0	8,127	5.2
Profit for the year/period	104,844	108.3	200,834	131.0	212,878	83.8	63,691	68.0	84,077	54.0

COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

Revenue

Our revenues increased by US\$62.1 million, or 66.3%, from US\$93.7 million for the six months ended June 30, 2018 to US\$155.8 million for the six months ended June 30, 2019. This increase was primarily attributable to: (i) an increase in rental income primarily driven by the consolidation of Propertylink into our Group in March 2019; (ii) an increase in management fee income; and (iii) the inclusion of construction income as a result of the consolidation of CIP following the completion of our acquisition of CIP in August 2018.

- Our rental income increased from US\$32.7 million for the six months ended June 30, 2018 to US\$55.0 million for the six months ended June 30, 2019. The growth in rental income was primarily attributable to the following:
 - The growth in rental income from our investment properties was primarily driven by the consolidation of Propertylink into our Group in March 2019 which contributed rental income of US\$13.1 million, the completion of more properties under development and more property acquisitions. The number of investment properties generating rental income increased from 13 as of June 30, 2018, to 19 as of June 30, 2019. In the six months ended June 30, 2019, we had six properties that commenced

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operations or were acquired after June 30, 2018 and generated rental income during this period, including RW Higashi-Ogishima DC Property, Wuxi Lekun and Tianjin Fanxin. In addition, the completion of Shenyang Yibei in the second half of 2018 also contributed to the increase in rental income in the six months ended June 30, 2019.

- This growth in rental income was partially offset by the disposal of certain of our subsidiaries which held seven balance sheet properties to NCI Core Fund.
- Our management fee income increased from US\$59.0 million for the six months ended June 30, 2018 to US\$61.8 million for the six months ended June 30, 2019 primarily due to the following:
 - An increase in base management fees and asset management fees was driven by the growth in our Fund AUM from US\$11.4 billion for the six months ended June 30, 2018 to US\$17.6 billion for the six months ended June 30, 2019. This growth was driven by the following factors: (i) an increase in the amount of invested capital in existing funds, in light of additional funding requirements; (ii) the establishment of new funds such as the South Korea Core Fund, the India Fund, the Japan Core Fund and RJLF III; and (iii) the consolidation of Propertylink in March 2019. Base management fee and asset management fee growth was strong across our key markets, with our Japan, South Korea and PRC funds recording strong growth due to, among other things, the acquisitions of new projects in Japan, South Korea and the PRC.
 - Other management fee income streams such as acquisition fees increased. The increase in acquisition fees was primarily driven by the acquisition fee recognized in connection with the acquisition of new projects by South Korea Core Fund and Japan Core Fund. We recognized promote for the six months ended June 30, 2019 in connection with the disposal of Redwood Japan Logistic Fund Limited Partnership in Japan.
 - The above increases were offset by (i) a decrease in development fees due to the completion of various properties under construction, in particular a major project in Japan in January 2019; and (ii) a decrease in leasing fees as we leased out major properties, in particular, in South Korea, in the first half of 2018 and we had no major projects completed for new leases in the first half of 2019.
- We consolidated CIP, which provides construction services to its customers, and recognized construction income of US\$37.7 million for the six months ended June 30, 2019 following the completion of our acquisition of CIP in August 2018.

Cost of Sales

Our cost of sales increased significantly by US\$39.7 million from US\$2.1 million for the six months ended June 30, 2018 to US\$41.8 million for the six months ended June 30, 2019. The increase was primarily attributable to the construction cost attributable to CIP, which we acquired in August 2018. Cost of sales accounted for 2.2% and 26.8% of our revenue for the six months ended June 30, 2018 and 2019, respectively.

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Gross Profit

Our gross profit increased by US\$22.4 million, or 24.4%, from US\$91.6 million for the six months ended June 30, 2018 to US\$114.0 million for the six months ended June 30, 2019. We had a gross profit margin of 97.8% for the six months ended June 30, 2018 and 73.2% for the six months ended June 30, 2019. Gross profit margin for our construction business was 1.8% for the six months ended June 30, 2019, reflecting our acquisition of CIP, which operates a construction business having a different margin profile, in August 2018.

Other Income and Gains

Our other income and gains increased by US\$89.8 million, or 118.6%, from US\$75.7 million for the six months ended June 30, 2018 to US\$165.4 million for the six months ended June 30, 2019 primarily due to the following:

- Fair value gains on investment properties under construction increased from US\$8.8 million for the six months ended June 30, 2018 to US\$76.8 million for the six months ended June 30, 2019. This increase was primarily driven by the fair value gains on investment properties under construction from the RW Higashi-Ogishima DC property after it was reclassified to an investment property under construction in the second half of 2018 due to our plan to redevelop it into a modern logistics facility and the increased construction activities in the first half of 2019. In terms of individual properties, Sachiura properties and the RW Higashi-Ogishima DC property contributed to the highest fair value gains on investment properties under construction in the six months ended June 30, 2019.
- Changes in fair value of financial assets and liabilities at fair value through profit or loss increased from US\$18.4 million for the six months ended June 30, 2018 to US\$22.8 million for the six months ended June 30, 2019. This was primarily driven by an improved financial performance from the funds and investment vehicles accounted through the fair value method, as well as the increased net asset values of the associated project companies in which we made co-investments. Most of the gains were recorded from properties in Japan.
- We recorded no gain on disposal of subsidiaries in the six months ended June 30, 2018, and recorded US\$16.5 million gain on disposal of subsidiaries in the six months ended June 30, 2019. The gain in the six months ended June 30, 2019 was primarily due to the disposal of seven balance sheet properties to NCI Core Fund.
- Dividend income increased from US\$9.8 million for the six months ended June 30, 2018 to US\$11.8 million for the six months ended June 30, 2019. This was primarily due to dividends received from our equity investments in publicly listed securities for the six months ended June 30, 2019.

The above were partially offset by the following:

- Fair value gains on completed investment properties decreased from US\$37.4 million for the six months ended June 30, 2018 to US\$26.8 million for the six months ended June 30, 2019. This was primarily due to the reclassification of RW Higashi-Ogishima DC property from a completed investment property to an investment property under construction in the second half of 2018 due to redevelopment and the disposal of seven properties to NCI Core Fund in the first half of 2019.

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Administrative Expenses

Our administrative expenses increased by US\$36.4 million, or 66.0%, from US\$55.2 million for the six months ended June 30, 2018 to US\$91.6 million for the six months ended June 30, 2019. The increase was primarily due to: (i) the increase in wages and salaries attributable to the growth of our business, with the number of full-time employees increasing from 336 as of June 30, 2018 to 595 as of June 30, 2019 as a result of our integration of the businesses of Propertylink and CIP; and (ii) the incurrence of professional fees including legal and due diligence fees, valuation fees and auditing fees, associated with our fundraising and financing activities, the increase in our property projects as well as M&A activities which we pursued during this period. The increase was partially offset by the decrease of equity-settled share option expense of approximately US\$9.9 million for the six months ended June 30, 2019 from US\$12.0 million for the six months ended June 30, 2018, attributable to our grant of share options to eligible participants.

Our administrative expenses accounted for 58.9% and 58.8% of our revenue for the six months ended June 30, 2018 and 2019, respectively.

Finance Costs

Our finance costs increased by US\$37.4 million, or 81.4%, from US\$45.9 million for the six months ended June 30, 2018 to US\$83.4 million for the six months ended June 30, 2019. The increase was primarily due to an increase in interest expenses on bank loans and other borrowings of US\$23.8 million attributable to the consolidation of Propertylink into our Group in March 2019 and an increase in new bank loans and bonds to support our business growth and acquisitions. Our finance costs accounted for 49.0% and 53.5% of our revenue for the six months ended June 30, 2018 and 2019, respectively.

Share of Profits and Losses of Joint Ventures and Associates, Net

We recorded share of profits of joint ventures, net, of US\$18.3 million for the six months ended June 30, 2019, compared to US\$14.8 million for the six months ended June 30, 2018. This increase was primarily driven by the increase in fair value gains on investment properties held by Sunwood Star and the joint ventures in Australia post our acquisition of Propertylink.

Income Tax Expense

We had income tax expense of US\$17.3 million for the six months ended June 30, 2018, comprising current tax of US\$6.2 million and deferred tax of US\$11.1 million. We had income tax expense of US\$38.6 million for the six months ended June 30, 2019, comprising current tax of US\$17.6 million and deferred tax of US\$21.1 million. The increase in current tax in the six months ended June 30, 2019 was primarily due to higher profits generated. The increase in deferred tax in the six months ended June 30, 2019 was due to higher fair value gain on our investment properties as discussed above. Our effective tax rate, calculated by dividing our income tax expense by our profit before income tax, was 21.3% for the six months ended June 30, 2018 to 31.5% for the six months ended June 30, 2019 primarily due to the tax liability incurred as a result of the disposal of seven properties to NCI Core Fund.

Net Profit

As a result of the foregoing, our net profit was US\$84.1 million for the six months ended June 30, 2019, compared to US\$63.7 million for the six months ended June 30, 2018. We had a net

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profit margin of 68.0% for the six months ended June 30, 2018 and 54.0% for the six months ended June 30, 2019.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue

Our revenues increased by US\$100.9 million, or 65.8%, from US\$153.3 million in 2017 to US\$254.1 million in 2018. This increase was primarily attributable to: (i) an increase in rental income; (ii) an increase in management fee income; and (iii) the inclusion of construction income as a result of the consolidation of CIP following the completion of our acquisition of CIP in August 2018.

- Our rental income increased from US\$57.8 million in 2017 to US\$74.3 million in 2018. Our rental income in 2018 was generated primarily from the PRC and Japan logistics properties held on our balance sheet. The growth in rental income was primarily attributable to the following:
 - The growth in rental income from our investment properties was primarily driven by the completion of more properties, more property acquisitions and the increases in tenant occupancy and rental rates. The number of investment properties generating rental income increased from 15 as of December 31, 2017, to 18 as of December 31, 2018, which was primarily attributable to the completion of more properties and property acquisitions. In 2018, we had seven properties that commenced operations or were acquired and generated rental income during this period, including Guangzhou Mingyue—II, Hangzhou Prax, Tianjin Fanxin and Shenyang Yibei in the PRC, Redwood Higashi in Japan (which is designated for redevelopment in the near future), a property in India and a property in Australia. In addition, the completion of Jiangsu Friend—III in late 2017 contributed to the increase in rental income in 2018.
 - This growth in rental income was partially offset by the disposal of three of our subsidiaries holding the Shanghai Fengyuan, Jiangsu Yitian and Taicang Mingzhan properties to seed China Invesco Core Fund in August 2017.
- Our management fee income increased from US\$94.3 million in 2017 to US\$135.6 million in 2018 primarily due to the following:
 - A strong increase in base management fees and asset management fees was driven by the growth in our Fund AUM from US\$10.8 billion as of December 31, 2017 to US\$14.1 billion as of December 31, 2018. This growth was driven by the following factors: (i) an increase in the amount of committed capital in existing funds, in light of additional funding requirements; (ii) an increase in the establishment of new funds such as the South Korea Core Fund and China Invesco Core Fund; (iii) an increase in property valuations; and (iv) increased development activities at the development funds and investment vehicles that we manage. Base management fee and asset management fee growth was strong across our key markets, with our Japan, South Korea and PRC funds recording strong growth due to, among other things, the acquisitions of new projects in Japan, South Korea and Singapore and the additions of the Shanghai Fengyuan, Jiangsu Yitian and Taicang Mingzhan properties by China Invesco Core Fund in August 2017. Development fees decreased due to fewer development activities.

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- Other management fee income streams such as acquisition and leasing fees significantly increased. The increase in acquisition fees was primarily driven by the acquisition fee recognized in connection with the VIT Merger and the acquisition of new projects by South Korea Core Fund, partially offset by lower acquisition fees in Japan attributable to a decrease in projects under construction. The growth in leasing fees was driven by an increase in completions of development properties at our funds and was primarily led by the growth in our Japan, South Korea and PRC funds. We recognized promote in 2018 in connection with the disposal of Redwood Japan Logistic Fund Limited Partnership and another investment vehicle in Japan.
- We consolidated CIP, which provides construction services to its customers, and recognized construction income of US\$40.7 million in 2018 following the completion of our acquisition of CIP in August 2018.

Cost of Sales

Our cost of sales increased by US\$40.3 million, or 1,154.4%, from US\$3.5 million in 2017 to US\$43.7 million in 2018. The increase was primarily attributable to the construction cost attributable to CIP, which we acquired in August 2018. Cost of sales accounted for 2.3% and 17.2% of our revenue in 2017 and 2018, respectively.

Gross Profit

Our gross profit increased by US\$60.6 million, or 40.5%, from US\$149.8 million in 2017 to US\$210.4 million in 2018. We had a gross profit margin of 97.7% in 2017 and 82.8% in 2018. Gross profit margin for our construction business was 2.5% in 2018, reflecting our acquisition of CIP, which operates a construction business having a different margin profile, in August 2018.

Other Income and Gains

Our other income and gains decreased by US\$29.8 million, or 10.5%, from US\$284.1 million in 2017 to US\$254.3 million in 2018 primarily due to the following:

- Fair value gains on investment properties under construction decreased from US\$100.0 million in 2017 to US\$62.8 million in 2018. This decrease was primarily driven by the completion of Jiangsu Friend—III in 2017 and the decreased valuation gains realized from our investment properties under construction in 2018 attributable to the slower construction progress in 2018.
- Gain on disposal of subsidiaries decreased from US\$38.3 million in 2017 to US\$2.7 million in 2018. The gain in 2017 was primarily due to the disposal of three subsidiaries holding the Shanghai Fengyuan, Jiangsu Yitian and Taicang Mingzhan properties to China Invesco Core Fund as part of our capital recycling strategy in 2017. The gain in 2018 was primarily due to the disposal of a 50% interest in our subsidiary, ESR India Logistics Fund Pte. Ltd., to a global real estate investor based in Germany.

The above was partially offset by the following:

- Fair value gains on completed investment properties increased from US\$95.2 million in 2017 to US\$109.7 million in 2018. This was primarily due to the increase in the valuations of the existing investment properties driven by higher rental rate growth and compression

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in the capitalization rates, as well as an increase in the number of completed investment properties, including Redwood Higashi in Japan (which is designated for redevelopment in the near future), in 2018. In terms of individual properties, the highest gains were in the PRC driven by Jiangsu Friend—I, Jiangsu Friend—III, Tianjin Fanbin and Langfang Weidu.

- Changes in fair value of financial assets and liabilities at fair value through profit or loss increased from US\$32.7 million in 2017 to US\$44.9 million in 2018. This was primarily driven by an improved financial performance from the funds and investment vehicles accounted through the fair value method, as well as the increased net asset values of the associated project companies in which we made co-investments. Most of the gains were recorded from properties in Japan.
- Dividend income increased from US\$10.7 million in 2017 to US\$25.5 million in 2018. This was primarily due to our increase in investments in CNLP, Propertylink and ESR-REIT and dividends received from our equity investments in publicly listed securities.
- We had an one-off insurance compensation of US\$8.3 million in 2018 for our solar assets that were damaged in a typhoon in Japan in September 2018.

Administrative Expenses

Our administrative expenses increased by US\$47.7 million, or 44.7%, from US\$106.8 million in 2017 to US\$154.6 million in 2018. The increase was primarily due to: (i) the increase in wages and salaries attributable to the growth of our business, with the number of full-time employees increasing from 303 as of December 31, 2017 to 506 as of December 31, 2018; (ii) the incurrence of professional fees including legal and due diligence fees, valuation fees and auditing fees, associated with our acquisition of CIP in 2018 and our fundraising and financing activities, the increase in our property projects as well as M&A activities which we pursued during this period; (iii) the loss on disposal of items of property, plant and equipment of US\$9.7 million due to the damage of certain solar assets in Japan by a typhoon in September 2018; and (iv) the incurrence of equity-settled share option expense of approximately US\$23.2 million in 2018, as compared to US\$11.9 million in 2017, attributable to our grant of share options to eligible participants.

Our administrative expenses accounted for 69.7% and 60.8% of our revenue in 2017 and 2018, respectively.

Finance Costs

Our finance costs increased by US\$14.0 million, or 15.4%, from US\$90.9 million in 2017 to US\$104.9 million in 2018. The increase was primarily due to an increase in interest on redeemable convertible preference shares of US\$4.3 million and an increase in interest expenses on bank loans and other borrowings of US\$7.3 million attributable to an increase in new bank loans to support our business growth. Our finance costs accounted for 59.3% and 41.3% of our revenue 2017 and 2018, respectively.

Share of Profits and Losses of Joint Ventures and Associates, Net

We recorded share of profits of joint ventures, net, of US\$65.4 million in 2018, compared to US\$37.0 million in 2017. This increase was primarily driven by the increase in fair value gains on

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investment properties under construction held by Sunwood Star such as the Bucheon and Goyang projects.

Income Tax Expense

We had income tax expense of US\$72.3 million in 2017, comprising current tax of US\$20.1 million and deferred tax of US\$52.2 million. We had income tax expense of US\$57.7 million in 2018, comprising current tax of US\$13.9 million and deferred tax of US\$43.8 million. The decrease in current tax in 2018 was primarily due to higher current tax in 2017 attributable to the income from the disposal of Jiangsu Yitian and Shanghai Fengyuan in 2017. The decrease in deferred tax in 2018 was due to decreases in fair value gains from our investment properties and the increase of deferred tax assets which generated losses available for offsetting against future taxable profits. Our effective tax rate, calculated by dividing our income tax expense by our profit before income tax, was 26.5% in 2017 and 21.3% in 2018 because the effective tax rate of the Redwood group decreased from 13% in 2017 to 7% in 2018 which led to a decrease in our effective tax rate and we generated more income from entities located in countries with lower corporate tax rates, such as ESR-REIT and Sunwood Star in Singapore and E-Shang Star in the Cayman Islands.

Net Profit

As a result of the foregoing, our net profit was US\$212.9 million in 2018, compared to US\$200.8 million in 2017. We had a net profit margin of 83.8% in 2018, compared to 131.0% in 2017.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue

Our revenues increased by US\$56.6 million, or 58.5%, from US\$96.7 million in 2016 to US\$153.3 million in 2017. This increase was primarily attributable to increases in rental income and management fee income. We also generated US\$1.2 million of other income in 2017, primarily from the sale of solar energy.

- Our rental income increased from US\$50.3 million in 2016 to US\$57.8 million in 2017. The growth in rental income was primarily driven by the following:
 - All of our rental income during this period was generated from the PRC logistics properties held on our balance sheet. The growth in rental income from our logistics properties was primarily driven by the completion of more properties and increases in tenant occupancy and rental rates. The number of investment properties generating rental income increased from 13 as of December 31, 2016 to 15 as of December 31, 2017. We had a new property, Shanghai Yita, generating rental income in 2017. In addition, Taicang Mingzhan, Wuhan Dongxihu and Tianjin Wuqing continued to contribute rental income in 2017 since the completion of acquisition in the second half of 2016.
 - The growth in rental income was partially offset by the disposal of three of our subsidiaries holding the Shanghai Fengyuan, Jiangsu Yitian and Taicang Mingzhan properties to seed China Invesco Core Fund in August 2017.

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- Our management fee income increased from US\$46.5 million in 2016 to US\$94.3 million in 2017 primarily due to the following:
 - A strong increase in base management fees and asset management fees was driven by the growth in our Fund AUM from US\$6.5 billion as of December 31, 2016 to US\$10.8 billion as of December 31, 2017. This growth was driven by the following factors: (i) increased development activities at the development funds and investment vehicles that we manage; (ii) an increase in the amount of committed capital in the existing funds to cater to funding requirements; and (iii) an increase in property valuations. Base management fee and asset management fee growth was strong across all our key markets, with our Japan, South Korea and PRC funds recording strong growth, along with contribution from the acquisition of the ESR-REIT Manager in February 2017. Development fees increased, which was primarily driven by stronger development pipelines in the various development funds that we manage. The growth was strong across our markets, with the development funds focused on key markets of the PRC, Japan and South Korea showing strong growth.
 - Other management fee income streams such as acquisition and leasing fees grew at a steady pace. The increase in acquisition fees was primarily on account of the acquisition fees received by the ESR-REIT Manager. The growth in leasing fees was driven by an increase in completion of development properties at our funds and was primarily led by the growth in Redwood Japan, Sunwood Star and the ESR-REIT.

Cost of Sales

Our cost of sales increased by US\$0.8 million, or 31.3%, from US\$2.7 million in 2016 to US\$3.5 million in 2017. The increase was primarily attributable to an increase in on-site maintenance costs, property management fees, utilities and other expenses due to the increase in the scale our logistics facilities in operation. Cost of sales accounted for 2.7% and 2.3% of our revenue in 2016 and 2017, respectively.

Gross Profit

Our gross profit increased by US\$55.7 million, or 59.2%, from US\$94.1 million in 2016 to US\$149.8 million in 2017. We had a gross profit margin of 97.3% in 2016 and 97.7% in 2017.

Other Income and Gains

Our other income and gains increased by US\$149.0 million, or 110.2%, from US\$135.1 million in 2016 to US\$284.1 million in 2017 primarily due to the following:

- Fair value gains on investment properties under construction increased from US\$5.8 million in 2016 to US\$100.0 million in 2017. This was primarily driven by a strong development pipeline on our balance sheet due to an increase in valuation gains realized from our investment properties under construction due to the development progress in 2017 as compared to valuation gains realized from our investment properties under construction in 2016. For example, we had completed more logistics properties on our balance sheet in 2017 as compared to 2016. In terms of individual properties, the completion of Jiangsu Friend—III and the construction of Hangzhou Prax and Shenyang Yibei facilities contributed to the highest fair value gains on investment properties under construction in 2017.

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- Changes in fair value of financial assets and liabilities at fair value through profit and loss increased from US\$26.7 million in 2016 to US\$32.7 million in 2017. This was primarily driven by an improved financial performance from the funds and investment vehicles accounted through the fair value method, as well as associated project companies in which we made co-investments. Most of the gains were recorded from Redwood Higashi, Redwood Fujiidera, RW Nankonaka, and Phoenix.
- We had a substantial increase on gain on disposal of subsidiaries of US\$38.3 million in 2017. This was driven by the disposal of three subsidiaries holding the Shanghai Fengyuan, Jiangsu Yitian and Taicang Mingzhan properties to China Invesco Core Fund as part of our capital recycling strategy.
- We recorded dividend income of US\$10.7 million, primarily driven by our investment in publicly-listed REIT units in Singapore and Australia.
- The above was partially offset by the slight decrease in fair value gains on completed investment properties, which decreased from US\$100.8 million in 2016 to US\$95.2 million in 2017. This was primarily due to the disposals of Shanghai Fengyuan, Jiangsu Yitian and Taicang Mingzhan projects into China Invesco Core Fund, partially offset by an increase in the valuations of investment properties completed in 2017 and the existing completed investment properties in that year driven by higher rental rate growth and compression in the capitalization rates, as well as an increase in the number of completed investment properties.

Our other income and gains accounted for 139.7% and 185.3% of our revenue in 2016 and 2017, respectively.

Administrative Expenses

Our administrative expenses increased by US\$49.1 million, or 85.1%, from US\$57.7 million in 2016 to US\$106.8 million in 2017. The increase was primarily due to: (i) the increase in wages and salaries attributable to the growth of our business, with the number of full-time employees increasing from 219 as of December 31, 2016 to 303 as of December 31, 2017; (ii) the incurrence of professional fees including legal and due diligence fees, valuation fees and auditing fees, associated with our fundraising and financing activities, the increase in our property projects as well as M&A activities which we pursued during this period; and (iii) the incurrence of equity-settled share option expense of approximately US\$11.9 million in 2017 compared to US\$75,000 in 2016 attributable to our grant of share options to eligible participants. Our administrative expenses accounted for 59.7% and 69.7% of our revenue in 2016 and 2017, respectively.

Fair Value Loss on Derivative Financial Instruments

Our fair value loss on derivative financial instruments was nil in 2017, compared to US\$12.1 million in 2016 due to the accounting treatment of the warrant instruments issued in December 2015 which were converted into equity in 2016.

Finance Costs

Our finance costs increased by US\$34.9 million, or 62.3%, from US\$56.0 million in 2016 to US\$90.9 million in 2017. The increase was primarily due to an increase in interest expense from an

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increase in bank loans to support our business growth, increase in interest expense on other borrowings including the interest expense of US\$18.3 million on the Hana Notes, which will be redeemed upon the completion of the Global Offering and the interest expense of US\$41.3 million on the Class C Preference Shares, which will also be redeemed or converted upon the Global Offering becoming unconditional.

Share of Profits and Losses of Joint Ventures and Associates, Net

We recorded share of profits of joint ventures and associate, net, of US\$37.0 million in 2017, compared to US\$36.4 million in 2016. The increase was primarily due to an increase in fair value gains on completed investment properties at the two joint ventures.

Income Tax Expense

We recorded income tax expense of US\$34.9 million in 2016, comprising current tax of US\$0.6 million and deferred tax of US\$34.2 million. We had income tax expense of US\$72.3 million in 2017, comprising current tax of US\$20.1 million and deferred tax of US\$52.2 million. The increase in current tax was primarily due to the increase in our taxable income, and the increase in deferred tax was due to increases in fair value gains on investment properties under construction and increases in changes in fair value of financial assets and liabilities at fair value through profit or loss and other temporary differences arising between the tax bases of assets and liabilities and their carrying amounts at the end of respective periods. Our effective tax rate, calculated by dividing our income tax expense by our profit before income tax, was 25.0% in 2016 and 26.5% in 2017.

Net Profit

As a result of the foregoing, our net profit was US\$200.8 million in 2017, compared to US\$104.8 million in 2016. We had a net profit margin of 131.0% in 2017, compared to 108.4% in 2016.

SEGMENTATION

Our management arrange and report our financials based on three reportable operating segments: development, fund management and investment segments. Our management monitors the results of our operations separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. See Note 4 to the Accountants' Report set forth in Appendix I to this Prospectus.

- ***Development.*** We earn development profit through the development, construction and sale of completed properties from our balance sheet. We also derive pro rata earnings and pro rata value appreciation through the development activities of the development funds and investment vehicles we manage in proportion to our co-investments in those funds and investment vehicles. As a result of our acquisition of CIP in August 2018, we also began generating construction income through CIP in Australia, which provides construction services to its customers.
- ***Fund management.*** We earn fee income from managing the underlying assets on behalf of our capital partners via the funds and investment vehicles we manage. Our fees include base management fees, asset management fees, acquisition fees, development fees and

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leasing fees. We also participate in a disproportionate share of profits through promote upon exceeding a pre-determined target IRR and after our capital partners have received their targeted capital returns.

- **Investment.** Our investment segment is divided into three main categories: (i) completed properties that we hold on our balance sheet, from which we derive total return, including rental income and appreciation in value; (ii) our co-investments in the funds and investment vehicles and the REIT we manage, from which we derive dividend income, pro rata earnings and/or pro rata value appreciation; and (iii) other investments.

The table below sets forth the line items that comprise the segment results for each of our three reportable operating segments, which are reported and prepared based on our consolidated statement of profit or loss and other comprehensive income, together with a reconciliation, for the periods indicated.

	Year Ended December 31,			Six Months Ended June 30,	
	2016	2017	2018	2018	2019
				(unaudited)	
	(US\$ in thousands)				
Development Segment					
Segment revenue	—	—	40,665	—	37,661
Fair value gains on investment properties under construction	5,760	100,039	62,779	8,761	76,761
Changes in fair value of financial assets and liabilities at fair value through profit or loss	23,792	8,497	31,741	16,014	22,107
Share of profits and losses of joint ventures and associates	27,151	26,505	35,200	12,059	726
Gain on disposal of subsidiaries	32	38,311	2,662	—	16,495
Allocable operating expenses	(6,548)	(11,793)	(57,544)	(4,626)	(51,305)
Development segment result	50,187	161,559	115,503	32,208	102,445
Fund Management Segment					
Segment revenue	46,464	94,268	135,579	59,033	61,784
Share of profits and losses of joint ventures and associates	—	—	—	—	557
Allocable operating expenses	(7,291)	(14,897)	(25,978)	(11,803)	(12,467)
Fund management segment result	39,173	79,371	109,601	47,230	49,874
Investment Segment					
Segment revenue	50,273	59,021	77,904	34,657	56,318
Fair value gains on completed investment properties	100,799	95,179	109,688	37,396	26,800
Changes in fair value of financial assets and liabilities at fair value through profit or loss	2,936	24,242	13,196	2,355	711
Share of profits and losses of joint ventures and associates	9,201	10,495	30,172	2,742	17,034
Dividend income	—	10,679	25,519	9,771	11,848
Allocable operating expenses	(13,833)	(16,683)	(22,887)	(8,047)	(13,387)
Investment segment result	149,376	182,933	233,592	78,874	99,324
Total segment result	238,736	423,863	458,696	158,312	251,643

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	Year Ended December 31,			Six Months Ended June 30,	
	2016	2017	2018	2018	2019
				(unaudited)	
	(US\$ in thousands)				
Reconciliation:					
Depreciation and amortization	(6,059)	(8,061)	(10,226)	(4,655)	(7,296)
Exchange gain/(losses)	916	4,431	(869)	(41)	(1,761)
Interest income	502	2,477	1,530	985	1,768
Other unallocated gains	408	234	7,190	653	379
Corporate and other unallocated expenses ⁽¹⁾	(26,571)	(46,973)	(57,648)	(16,388)	(28,772)
Finance costs	(55,992)	(90,903)	(104,929)	(45,943)	(83,363)
Equity-settled share option expense . .	(75)	(11,923)	(23,157)	(11,961)	(9,885)
Fair value loss on derivative financial instrument	(12,133)	—	—	—	—
Gain on deemed partial disposal of a joint venture	—	29	—	—	—
Profit before tax from continuing operations	139,732	273,174	270,587	80,962	122,713

Note:

(1) Corporate and other unallocated expenses relate primarily to head office and corporate expenses that are not directly attributable to operations of the reportable segments, and thus cannot be allocated to any of the reportable operating segments. They primarily comprised professional services fees related to our financing and M&A activities, operating costs such as lease expenses and maintenance costs which are not directly related to any business segment, and other miscellaneous expenses like bank service fees, meeting and office expenses, travel and welfare expenses and entertainment fees, which are not directly related to any of the operating segments. The increase in corporate and other unallocated expenses from US\$26.6 million in 2016 to US\$47.0 million in 2017, and further to US\$57.7 million in 2018, and from US\$16.4 million for the six months ended June 30, 2018 to US\$28.8 million for the six months ended June 30, 2019 was primarily led by increases in professional services fees, leasing expenses and other expenses. We consistently monitor the results of our operating segments excluding these unallocated expenses for the purpose of making decisions about resource allocation and performance assessment.

We separate the fair value gains on our balance sheet investment properties into fair value gains on completed properties and fair value gains on properties under construction. We have followed this methodology due to the distinct nature of the key drivers behind these gains.

The fair value gains on the completed properties are primarily affected by the rental growth and capitalization rates used when the properties are valued, both of which are influenced by broader parameters around macroeconomic conditions as well as supply and demand trends in our business, the extent of control which we have over these factors are relatively lower and as a result this line item is more dependent on the economic conditions in which our properties operate.

The fair value gains on properties under construction are primarily affected by the construction progress that we are able to make on these projects (and to a relatively lesser extent on macroeconomic parameters like rental growth and capitalization rates), which in turn determines the development-related appreciation that we are able to generate on these projects. We actively manage and control our construction pipeline. Accordingly, we present fair value gains on our properties in two line items to clearly distinguish the impact from movements in macroeconomic parameters and the impact from the Company's ability to execute on its development projects. We consistently monitor the results of our operating segments by distinguishing between the above two categories of gains in order to make decisions about resource allocation and to evaluate our performance.

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Please see below a description of the line items comprising the segments.

Development Segment

Segment revenue	Revenue represents construction income following the acquisition of CIP in Australia in August 2018. CIP is primarily a contractor developing properties for other third party clients, and any revenues derived from this segment is recorded in the development segment.
Fair value gains on investment properties . .	Represents the fair value gains on investment properties under construction that we hold on our balance sheet. This is recorded in the development segment as it relates to properties under construction which are not yet complete and are being developed by us. This is calculated as the difference between the fair market value and book value of the property. The primary source of the revaluation gain on properties under construction comes from the valuation gain that accrues to us when it completes and transitions into a rent-generating property.
Changes in fair value of financial assets at fair value through profit or loss	The fair value changes primarily denote changes in the net asset value based on our stake in the funds and investment vehicles which are accounted for as financial assets at fair value through profit or loss method. The key drivers of this component for the unlisted entities are (i) rental income at the properties held at these funds, and (ii) fair value gains at the properties held at these funds (both completed and under construction), less (iii) management fee related expenses incurred by these funds. Changes in fair value of financial assets at fair value through profit or loss are allocated between the development and investment segments based on the GFA split of completed investment property and investment properties under construction held by the funds and investment vehicles we manage, with the portion related to investment properties under construction allocated to the development segment and the portion related to completed investment properties allocated to the investment segment.
Share of profits and losses of joint ventures	The share of profits and losses of joint ventures represents the profit and losses (pro-rata for the stake held by us) of those funds and investment vehicles which are accounted for through the equity accounting method. This line item is primarily driven by the two funds: E-Shang Star and Sunwood Star. The key drivers of this component are (i) rental income at the properties held at these funds, and (ii) fair value gains at the properties held at these funds (both completed and under construction), less (iii) management fee related expenses incurred by these funds. Share of profits and losses of joint ventures is allocated, with respect to each joint venture, between the development and investment segments based on the ratio of the GFA of properties held in each such joint venture that are completed within the calendar year to the GFA of properties held in each such joint venture that are completed prior to the calendar year, allocating the proportional share of results attributable to properties completed within the calendar year to the development segment and the remainder to the investment segment.

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Gain on disposal of subsidiaries This represents the gain from disposal of the subsidiaries (which were our balance sheet properties) to core funds/other third parties as part of the capital recycling plans in order for us to realize the development gains.

Allocable operating expenses Allocated operating expenses for each business segment comprise directly incurred cost of sales and/or operating expenses for each segment and allocated staff costs. Staff costs are allocated, with respect to each relevant subsidiary, equally between: (i) the management segment; and (ii) the investment and development segments for which the staff costs are further allocated based on the GFA split of completed investment property and investment properties under construction, with the portion related to investment properties under construction allocated to the development segment and the portion related to completed investment properties allocated to the investment segment.

Fund Management Segment

Segment revenue This represents the fee income from managing the underlying assets on behalf of the capital partners through the funds and investment vehicles we manage.

Allocable operating expenses Please refer to the explanation under development segment above.

Investment Segment

Segment revenue Represents rental income from the completed properties that we hold on our balance sheet.

Fair value gains on investment properties . . . Represents the fair value gains on completed investment properties that we hold on our balance sheet. The completed investment properties are subject to periodic revaluation by independent property valuers in order to determine the fair value, which is the difference between the fair value post revaluation and the current book value of the property is what is recognized in the profit and loss statements as revaluation gain.

Changes in fair value of financial assets at fair value through profit or loss Please refer to the explanation under the development segment above.

Share of profits and losses of joint ventures Please refer to the explanation under the development segment above.

Dividend income Represents the dividend income from the co-investments in the funds and investment vehicles and the REIT that we manage and our equity investments in publicly listed securities.

Allocable operating expenses Please refer to the explanation under the development segment above.

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Development Segment

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

Our development segment result increased by US\$70.2 million from US\$32.2 million for the six months ended June 30, 2018 to US\$102.4 million for the six months ended June 30, 2019. This increase was primarily attributable to the following:

- Fair value gains on investment properties under construction increased from US\$8.8 million for the six months ended June 30, 2018 to US\$76.8 million for the six months ended June 30, 2019. This increase was primarily driven by the fair value gains on investment properties under construction from the RW Higashi-Ogishima DC property after it was reclassified to an investment property under construction in the second half of 2018 due to our plan to redevelop it into a modern logistics facility and the increased construction activities in the first half of 2019. In terms of individual properties, Sachiura properties and the RW Higashi-Ogishima DC property contributed to the highest fair value gains on investment properties under construction in the six months ended June 30, 2019.
- Changes in fair value of financial assets and liabilities at fair value through profit or loss increased from US\$16.0 million for the six months ended June 30, 2018 to US\$22.1 million for the six months ended June 30, 2019. This was primarily driven by an improved financial performance from the funds and investment vehicles accounted through the fair value method, as well as the increased net asset values of the associated project companies in which we made co-investments. Most of the gains were recorded from properties in Japan.
- We recorded no gain on disposal of subsidiaries in the six months ended June 30, 2018, and recorded US\$16.5 million gain on disposal of subsidiaries in the six months ended June 30, 2019. The gain in the six months ended June 30, 2019 was primarily due to the disposal of seven balance sheet properties to NCI Core Fund.

The above increase in development segment was partially offset by the following:

- Share of profits and losses of joint ventures and associates decreased from US\$12.1 million for the six months ended June 30, 2018 to US\$0.7 million for the six months ended June 30, 2019. This decrease was primarily driven by the decrease in fair value gains on investment properties under construction held by Sunwood Star.
- Allocable operating expenses increased from US\$4.6 million for the six months ended June 30, 2018 to US\$51.3 million for the six months ended June 30, 2019. This was primarily driven by the consolidation of the construction costs attributable to CIP, which we acquired in August 2018 and higher administrative expenses allocated to this segment as a result of higher GFA in our investment properties under construction.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Our development segment result decreased by US\$46.1 million from US\$161.6 million in 2017 to US\$115.5 million in 2018. This decrease was primarily attributable to the following:

- Fair value gains on investment properties under construction decreased from US\$100.0 million in 2017 to US\$62.8 million in 2018. This decrease was primarily driven

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by the completion of Jiangsu Friend—III in 2017 and the decreased valuation gains realized from our investment properties under construction in 2018 attributable to the slower construction progress in 2018.

- Gain on disposal of subsidiaries decreased from US\$38.3 million in 2017 to US\$2.7 million in 2018. The gain in 2017 was primarily due to the disposal of three subsidiaries holding the Shanghai Fengyuan, Jiangsu Yitian and Taicang Mingzhan properties to China Invesco Core Fund as part of our capital recycling strategy in 2017. The gain in 2018 was primarily due to the disposal of a 50% interest in our subsidiary, ESR India Logistics Fund Pte Ltd., to a global real estate investor based in Germany.
- Allocable operating expenses increased from US\$11.8 million in 2017 to US\$57.5 million in 2018. This was primarily driven by the consolidation of the construction costs attributable to CIP, which we acquired in August 2018 and higher administrative expenses allocated to this segment as a result of higher GFA in our investment properties under construction.

The above were partially offset by the following:

- Changes in fair value of financial assets and liabilities at fair value through profit or loss increased from US\$8.5 million in 2017 to US\$31.7 million in 2018. This was primarily driven by an improved financial performance from the funds and investment vehicles accounted through the fair value method, as well as the increased net asset values of the associated project companies in which we made co-investments. Most of the gains were recorded from properties in Japan.
- Share of profits and losses of joint ventures and associates increased from US\$26.5 million in 2017 to US\$35.2 million in 2018. This increase was primarily driven by the increase in fair value gains on investment properties under construction held by Sunwood Star such as the Bucheon and Goyang projects.
- We consolidated CIP, which provides construction services to its customers, and recognized construction income of US\$40.7 million in 2018 following the completion of our acquisition of CIP in August 2018.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Our development segment result increased by US\$111.4 million from US\$50.2 million in 2016 to US\$161.6 million in 2017. This increase was primarily attributable to the following:

- Fair value gains on investment properties under construction increased from US\$5.8 million in 2016 to US\$100.0 million in 2017. This was primarily driven by a strong development pipeline on our balance sheet due to an increase in valuation gains realized from our investment properties under construction due to the development progress in 2017 as compared to valuation gains realized from our investment properties under construction in 2016. For example, we had completed more logistics properties on our balance sheet in 2017 as compared to 2016. In terms of individual properties, the completion of Jiangsu Friend—III and the construction of Hangzhou Prax and Shenyang Yibei facilities contributed to the highest fair value gains on properties in the development segment in 2017.
- Gain on disposal of subsidiaries increased from US\$32,000 to US\$38.3 million in 2017. This was driven by the disposal of three subsidiaries holding the Shanghai Fengyuan,

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Jiangsu Yitian and Taicang Mingzhan properties to China Invesco Core Fund as part of our capital recycling plans.

The above gains were partially offset by the following:

- Changes in fair value of financial assets and liabilities at fair value through profit or loss decreased from US\$23.8 million in 2016 to US\$8.5 million in 2017. This was primarily driven by the decline in the value of investment properties under construction at the funds accounted for through this method which in turn, was led by completions of several investment properties at these funds (the gains on which were allocated to the investment segment).
- Share of profits and losses of joint ventures and associates slightly decreased from US\$27.2 million in 2016 to US\$26.5 million in 2017. This was primarily driven by foreign exchange translation impacts as well as completions of several investment properties at these funds (the gains on which were allocated to the investment segment).
- Allocable operating expenses increased from US\$6.5 million in 2016 to US\$11.8 million in 2017. This was primarily driven by higher administrative expenses allocated to this segment as a result of higher GFA in our investment properties under construction.

Fund Management Segment

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

Our fund management segment result increased by US\$2.6 million from US\$47.2 million for the six months ended June 30, 2018 to US\$49.9 million for the six months ended June 30, 2019. This increase was primarily attributable to the increase in fund management revenues from US\$59.0 million for the six months ended June 30, 2018 to US\$61.8 million for the six months ended June 30, 2019 which in turn was driven by the following:

- An increase in base management fees and asset management fees was driven by the growth in our Fund AUM from US\$11.4 billion for the six months ended June 30, 2018 to US\$17.6 billion for the six months ended June 30, 2019. This growth was driven by the following factors: (i) an increase in the amount of invested capital in existing funds, in light of additional funding requirements; (ii) the establishment of new funds such as the South Korea Core Fund, the India Fund, the Japan Core Fund and RJLF III; and (iii) the consolidation of Propertylink in March 2019. Base management fee and asset management fee growth was strong across our key markets, with our Japan, South Korea and PRC funds recording strong growth due to, among other things, the acquisitions of new projects in Japan, South Korea and the PRC.
- Other management fee income streams such as acquisition fees increased. The increase in acquisition fees was primarily driven by the acquisition fee recognized in connection with the acquisition of new projects by South Korea Core Fund and Japan Core Fund. We recognized promote in the six months ended June 30, 2019 in connection with the disposal of Redwood Japan Logistic Fund Limited Partnership in Japan. The above increases were offset by (i) a decrease in development fees due to the completion of various properties under construction, in particular a major project in Japan in January 2019; and (ii) a decrease in leasing fees as we leased out major properties, in particular, in South Korea, in the first half of 2018 and we had no major projects completed for new leases in the first half of 2019.

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The growth in our fund management segment result was partially offset by the growth in allocable operating expenses from US\$11.8 million for the six months ended June 30, 2018 to US\$12.5 million for the six months ended June 30, 2019, primarily due to an increase in administrative expenses associated with this segment attributable to an increased allocation of staff resources to the segment in connection with the increased staffing for fund raising and fund management teams for the newly established funds such as South Korea Core Fund and India Fund, the formation of new funds such as NCI Core Fund, the Japan Core Fund and RJLF III and an anticipation of further expansion of our fund management business, and was broadly in line with the higher revenue growth for the year.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Our fund management segment result increased by US\$30.2 million from US\$79.4 million in 2017 to US\$109.6 million in 2018. This increase was primarily attributable to the increase in fund management revenues from US\$94.3 million in 2017 to US\$135.6 million in 2018 which in turn was driven by the following:

- A strong increase in base management fees and asset management fees was driven by the growth in our Fund AUM from US\$10.8 billion as of December 31, 2017 to US\$14.1 billion as of December 31, 2018. The growth was driven by the following factors: (i) an increase in the amount of committed capital in existing funds, in light of additional funding requirements; (ii) an increase in the establishment of new funds such as the South Korea Core Fund and China Invesco Core Fund; (iii) an increase in property valuations; and (iv) increased development activities at the development funds and investment vehicles that we manage. Base management fee and asset management fee growth was strong across our key markets, with our Japan, South Korea and PRC funds recording strong growth due to, among other things, the acquisitions of new projects in Japan, South Korea and Singapore and the additions of the Shanghai Fengyuan, Jiangsu Yitian and Taicang Mingzhan properties by China Invesco Core Fund in August 2017. Development fees decreased due to fewer development activities.
- Other management fee income streams such as acquisition and leasing fees significantly increased. The increase in acquisition fees was primarily driven by the acquisition fee recognized in connection with the VIT Merger and the acquisition of new projects by South Korea Core Fund, partially offset by lower acquisition fees in Japan attributable to a decrease in projects under construction. The growth in leasing fees was driven by an increase in completions of development properties at our funds and was primarily led by the growth in our Japan, South Korea and PRC funds. We recognized promote in 2018 in connection with the disposal of Redwood Japan Logistic Fund Limited Partnership and another investment vehicle in Japan.

The growth in our fund management segment result was partially offset by the growth in allocable operating expenses from US\$14.9 million in 2017 to US\$26.0 million in 2018, primarily due to an increase in administrative expenses associated with this segment attributable to an increased allocation of staff resources to the segment in connection with the increased staffing for fund raising and fund management teams for the newly established funds such as South Korea Core Fund, the formation of new funds such as NCI Core Fund and the India Fund and an anticipation of further expansion of our fund management business, and was broadly in line with the higher revenue growth for the year.

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Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Our fund management segment result increased by US\$40.2 million from US\$39.2 million in 2016 to US\$79.4 million in 2017. This increase was primarily attributable to the increase in fund management revenue from US\$46.5 million in 2016 to US\$94.3 million in 2017 which in turn was driven by the following:

- A strong increase in base management fees and asset management fees was driven by the growth in our Fund AUM from US\$6.5 billion as of December 31, 2016 to US\$10.8 billion as of December 31, 2017. The growth was driven by the following factors: (i) increased development activities at the development funds that we manage; (ii) an increase in the amount of committed capital in the existing funds to cater to funding requirements; and (iii) an increase in property valuations. Base management fee and asset management fee growth was strong across all our key markets, with our Japan, South Korea and PRC funds recording strong growth, along with contribution from the acquisition of the ESR-REIT Manager in February 2017. Development fees increased, which was primarily driven by stronger development pipelines in the various development funds that we manage. The growth was strong across our markets, with the development funds focused on key markets of the PRC, Japan and South Korea showing strong growth.
- Other management fee income streams such as acquisition and leasing fees grew at a steady pace. The increase in acquisition fees was primarily on account of the acquisition fees received by the ESR-REIT Manager. The growth in leasing fees was driven by an increase in completion of development properties at our funds and was primarily led by the growth in Redwood Japan, Sunwood Star and the ESR-REIT.

The growth in our fund management segment result was partially offset by growth in allocable operating expenses from US\$7.3 million in 2016 to US\$14.9 million in 2017. This was primarily due to an increase in administrative expenses associated with this segment and was broadly in line with the higher revenue growth for the year.

Investment Segment

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

Our investment segment result increased by US\$20.5 million from US\$78.9 million for the six months ended June 30, 2018 to US\$99.3 million for the six months ended June 30, 2019. This increase was primarily attributable to the following factors:

- Our rental income increased from US\$32.7 million for the six months ended June 30, 2018 to US\$55.0 million for the six months ended June 30, 2019. The growth in rental income was primarily attributable to the following:
 - The growth in rental income from our investment properties was primarily driven by the consolidation of Propertylink into our Group in March 2019 which contributed rental income of US\$13.1 million, the completion of more properties under development and more property acquisitions. The number of investment properties generating rental income increased from 13 as of June 30, 2018 to 19 as of June 30, 2019. In the six months ended June 30, 2019, we had six properties that commenced operations or were acquired after June 30, 2018 and generated rental income during this period, including RW Higashi-Ogishima DC Property, Wuxi Lekun and Tianjin

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Fanxin. In addition, the completion of Shenyang Yibei in the second half of 2018 also contributed to the increase in rental income in the six months ended June 30, 2019.

- This growth in rental income was partially offset by the disposal of certain of our subsidiaries which held seven balance sheet properties to NCI Core Fund.
- Share of profits and losses of joint ventures and associates increased from US\$2.7 million for the six months ended June 30, 2018 to US\$17.0 million for the six months ended June 30, 2019. This was primarily driven by the increase in fair value gains on completed investment properties held by Sunwood Star and the joint ventures in Australia post our acquisition of Propertylink.
- Dividend income increased from US\$9.8 million for the six months ended June 30, 2018 to US\$11.8 million for the six months ended June 30, 2019. This was primarily due to dividends received from our equity investments in publicly listed securities for the six months ended June 30, 2019.

The above increase in investment segment result was partially offset by the following:

- Fair value gains on completed investment properties decreased from US\$37.4 million for the six months ended June 30, 2018 to US\$26.8 million for the six months ended June 30, 2019. This was primarily due to the reclassification of RW Higashi-Ogishima DC property from a completed investment property to an investment property under construction in the second half of 2018 due to redevelopment and the disposal of seven properties to NCI Core Fund in the first half of 2019.
- Allocable operating expenses increased from US\$8.0 million for the six months ended June 30, 2018 to US\$13.4 million for the six months ended June 30, 2019, which was in turn primarily driven by higher administrative expenses allocation and higher cost of sales related to rental income generation.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Our investment segment result increased by US\$50.7 million from US\$182.9 million in 2017 to US\$233.6 million in 2018. This increase was primarily attributable to the following factors:

- Our rental income increased from US\$57.8 million in 2017 to US\$74.3 million in 2018. Our rental income in 2018 was generated primarily from the PRC and Japan logistics properties held on our balance sheet. The growth in rental income was primarily attributable to the following:
 - The growth in rental income from our investment properties was primarily driven by the completion of more properties, more property acquisitions and the increases in tenant occupancy and rental rates. The number of investment properties generating rental income increased from 15 as of December 31, 2017 to 18 as of December 31, 2018, which was primarily attributable to the completion of more properties and property acquisitions. In 2018, we had seven properties that commenced operations or were acquired and generated rental income during this period, including Guangzhou Mingyue—II, Hangzhou Prax, Tianjin Fanxin and Shenyang Yibei in the PRC, Redwood Higashi in Japan (which is designated for redevelopment in the near future), a property in India and a property in Australia. In addition, the completion of Jiangsu Friend—III in late 2017 contributed to the increase in rental income in 2018.

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- This growth in rental income was partially offset by the disposal of three of our subsidiaries holding the Shanghai Fengyuan, Jiangsu Yitian and Taicang Mingzhan properties to seed China Invesco Core Fund in August 2017.
- Fair value gains on completed investment properties increased from US\$95.2 million in 2017 to US\$109.7 million in 2018. This was primarily due to the increase in the valuations of the existing investment properties driven by higher rental rate growth and compression in the capitalization rates, as well as an increase in the number of completed investment properties, including Redwood Higashi in Japan (which is designated for redevelopment in the near future), in 2018. In terms of individual properties, the highest gains were in the PRC driven by Jiangsu Friend—I, Jiangsu Friend—III, Tianjin Fanbin and Langfang Weidu.
- Share of profits and losses of joint ventures and associates increased from US\$10.5 million in 2017 to US\$30.2 million in 2018. This was primarily driven by an increase in fair value gains on completed investment properties held by Sunwood Star.
- Dividend income increased from US\$10.7 million in 2017 to US\$25.5 million in 2018. This was primarily due to our increase in investments in CNLP, Propertylink and ESR-REIT and dividends received from our equity investments in publicly listed securities.

The above increase in investment segment result was partially offset by the following:

- Changes in fair value of financial assets and liabilities at fair value through profit or loss decreased from US\$24.2 million in 2017 to US\$13.2 million in 2018. This was primarily attributable to Redwood Higashi which was classified as a financial asset at fair value through profit or loss before our acquisition of the additional interest in RW Higashi Pte. Ltd. in June 2018 and reclassified as an investment property upon the completion of such acquisition. For the purposes of segment reporting, Redwood Higashi was regarded by our management as a completed property in 2017 and as a property under construction in 2018, and therefore in 2017 the fair value change of Redwood Higashi was recorded in investment segment and in 2018 the fair value change of Redwood Higashi was recorded in development segment. The aforesaid reclassification of Redwood Higashi in segment reporting caused an increase in changes in fair value of financial assets and liabilities at fair value through profit or loss in development segment but a decrease in investment segment.
- Allocable operating expenses increased from US\$16.7 million in 2017 to US\$22.9 million in 2018, which was in turn primarily driven by higher administrative expenses allocation and higher cost of sales related to rental income generation.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Our investment segment result increased by US\$33.6 million from US\$149.4 million in 2016 to US\$182.9 million in 2017. This was primarily attributable to the following factors:

- Our rental income increased from US\$50.3 million in 2016 to US\$57.8 million in 2017. All of our rental income during this period was generated from the PRC logistics properties held on our balance sheet. The growth in rental income from our logistics properties was primarily driven by the completion of more properties and increases in tenant occupancy and rental rates. The number of investment properties generating rental

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income increased from 13 as of December 31, 2016 to 15 as of December 31, 2017. We had a new property, Shanghai Yita, generating rental income in 2017. In addition, Taicang Mingzhan, Wuhan Dongxihu and Tianjin Wuqing continued to contribute rental income in 2017 since the completion of acquisition in the second half of 2016. The growth in rental income was partially offset by the disposal of three of our subsidiaries holding the Shanghai Fengyuan, Jiangsu Yitian and Taicang Mingzhan properties to seed China Invesco Core Fund in August 2017.

- Changes in fair value of financial assets and liabilities at fair value through profit or loss increased from US\$2.9 million in 2016 to US\$24.2 million in 2017. This was primarily driven by our share of an increase in fair value gains of completed investment properties at the funds managed by us and establishment of core funds like China Invesco Core Fund which is focused on investing solely in completed investment properties.
- Share of profits and losses of joint ventures and associates increased from US\$9.2 million in 2016 to US\$10.5 million in 2017. This was primarily driven by an increase in fair value gains of completed investment properties at the two joint ventures accounted through the equity method (E-Shang Star and Sunwood Star).
- We had dividend income of US\$10.7 million in 2017, primarily driven by our investment in publicly-listed REIT units in Singapore and Australia.

The above increase in our investment segment result was partially offset by the following:

- Fair value gains on completed investment properties decreased from US\$100.8 million in 2016 to US\$95.2 million in 2017. This was primarily driven by the disposals of Shanghai Fengyuan, Jiangsu Yitian and Taicang Mingzhan projects into China Invesco Core Fund, partially offset by an increase in the valuations of investment properties completed in 2017 and the existing completed investment properties in that year driven by higher rental rate growth and compression in the capitalization rates, as well as the increase in the number of completed investment properties.
- Allocable operating expenses increased from US\$13.8 million in 2016 to US\$16.7 million in 2017, which was in turn primarily driven by higher administrative expenses allocation and higher cost of sales related to rental income generation.

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ANALYSIS OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from our audited consolidated financial statements included in the Accountants' Report in Appendix I to this Prospectus.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(US\$ in thousands)			
Non-current assets				
Property, plant and equipment	2,446	17,360	21,061	24,314
Right-of-use assets	4,164	7,482	9,090	13,037
Investment in joint ventures	198,225	313,081	404,699	526,085
Investments in an associate	—	—	9,334	—
Financial assets at fair value through profit or loss	140,577	362,073	335,771	504,903
Financial assets at fair value through other comprehensive income	—	—	484,239	468,958
Available-for-sale investments	1,492	189,816	—	—
Investment properties	942,929	1,189,203	1,885,502	2,656,507
Goodwill	210,480	226,232	285,382	340,243
Other intangible assets	25,048	48,181	79,493	96,710
Other non-current assets	49,772	22,709	34,361	37,013
Deferred tax assets	9,309	10,353	13,559	16,671
Total non-current assets	1,584,442	2,386,490	3,562,491	4,684,441
Current assets				
Trade receivables	9,271	30,448	63,057	51,870
Prepayments, other receivables and other assets	22,284	37,139	224,673	199,303
Cash and bank balances	485,545	600,791	581,379	1,010,390
Total current assets	517,100	668,378	869,109	1,261,563
Current liabilities				
Bank loans and other borrowings	75,862	91,706	436,194	630,135
Lease liabilities	1,314	2,335	3,374	6,091
Redeemable convertible preference shares	—	—	296,778	316,010
Trade payables, accruals and other payables	30,425	58,705	111,743	128,749
Income tax payable	1,937	9,616	7,284	6,289
Total current liabilities	109,538	162,362	855,373	1,087,274
Net current assets	407,562	506,016	13,736	174,289
Total assets less current liabilities	1,992,004	2,892,506	3,576,227	4,858,730
Non-current liabilities				
Deferred tax liabilities	109,952	138,447	191,949	186,993
Bank loans and other borrowings	759,403	741,729	1,024,279	2,173,601
Lease liabilities	2,935	5,624	6,311	18,317
Redeemable convertible preference shares	246,156	264,199	—	—
Financial liabilities at fair value through profit or loss	12,592	13,671	—	—
Other non-current liabilities	10,662	22,196	35,766	40,925
Total non-current liabilities	1,141,700	1,185,866	1,258,305	2,419,836
Net assets	850,304	1,706,640	2,317,922	2,438,894
Equity				
Equity attributable to owners of the parent				
Issued capital	1,963	2,335	2,689	2,689
Perpetual capital securities	—	98,845	97,379	97,379
Equity components of redeemable convertible instruments and warrant instrument	65,548	63,836	37,132	37,132
Other reserves	698,715	1,415,069	1,952,839	2,073,569
	766,226	1,580,085	2,090,039	2,210,769
Non-controlling interests	84,078	126,555	227,883	228,125
Total equity	850,304	1,706,640	2,317,922	2,438,894

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Investment Properties

Investment properties comprise completed properties and properties under construction held to earn rentals or for capital appreciation or both. An investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Subsequent to initial recognition, investment property is stated at fair value. Any gain or loss arising from change in the fair values are included in profit or loss in the year in which they arise.

All of our completed investment properties and investment properties under construction were revalued on December 31, 2016, 2017 and 2018 and June 30, 2019 (save as discussed below) based on valuations performed by independent professionally qualified valuers and industry specialists in investment property valuation, including Beijing Colliers International Real Estate Valuation Co., Ltd., CBRE Valuation Pty Limited, Jones Lang LaSalle Advisory Services Pty Ltd and Cushman & Wakefield K.K., at fair value. In determining fair value of the Portfolio Assets, a combination of approaches and methods were used, including the Direct Comparison Method and Discounted Cash Flow Method. The Direct Comparison Method is applied based on the market prices of comparable properties. Comparable properties with similar sizes, characters and locations were analyzed, and weighted against all respective advantages and disadvantages to arrive at the fair value of the property. The Discounted Cash Flow Method measures the value of a property by the present worth of the net economic benefit to be received over the life of the asset. Certain investment properties recently acquired were revalued as of June 30, 2019 with reference to (i) their purchase price or (ii) the independent valuation performed at the time of the acquisition.

We lease out our completed investment properties under operating lease arrangements. Leases run for a period of one to ten years with an option to renew the leases after the expiry dates at which time all terms will be renegotiated.

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The table below sets forth a breakdown of the changes in fair value of our investment properties as of the dates indicated.

	Completed Investment Properties	Investment Properties Under Construction	Total
	(US\$ in thousands)		
As of January 1, 2016	648,246	30,076	678,322
Additions	—	72,725	72,725
Acquisition of subsidiaries	122,454	9,633	132,087
Changes in fair value of investment properties	100,799	5,760	106,559
Transfer from investment properties under construction to completed investment properties	25,168	(25,168)	—
Exchange realignment	(44,656)	(2,108)	(46,764)
As of December 31, 2016 and January 1, 2017	852,011	90,918	942,929
Additions	25,984	122,652	148,636
Acquisition of subsidiaries	64,029	72,763	136,792
Changes in fair value of investment properties	95,179	100,039	195,218
Transfer from investment properties under construction to completed investment properties	215,635	(215,635)	—
Disposal of subsidiaries	(295,690)	—	(295,690)
Exchange realignment	53,534	7,784	61,318
As of December 31, 2017 and January 1, 2018	1,010,682	178,521	1,189,203
Additions	4,287	94,897	99,184
Acquisition of subsidiaries	467,959	25,699	493,658
Changes in fair value of investment properties	109,688	62,779	172,467
Transfer from investment properties under construction to completed investment properties	45,801	(45,801)	—
Disposal of subsidiaries	(514)	—	(514)
Exchange realignment	(54,844)	(13,652)	(68,496)
As of December 31, 2018 and January 1, 2019	1,583,059	302,443	1,885,502
Additions	17,624	247,265	264,889
Acquisition of subsidiaries	672,022	—	672,022
Changes in fair value of investment properties	26,800	76,761	103,561
Transfer from investment properties under construction to completed investment properties	29,242	(29,242)	—
Transfer from completed investment properties to investment properties under construction for redevelopment	(392,285)	392,285	—
Disposal of subsidiaries	(276,711)	—	(276,711)
Exchange realignment	(9,745)	16,989	7,244
As of June 30, 2019	1,650,006	1,006,501	2,656,507

The fair value of our investment properties increased by 39.0% from US\$678.3 million as of January 1, 2016 to US\$942.9 million as of December 31, 2016, primarily due to cumulative increases in: (i) a newly added completed investment property, Dongguan Hongmei-Mingfeng; (ii) the acquisition of four subsidiaries, which held Wuhan Minglong, Wuhan Mingju, Tianjin Mingcheng and Taicang Mingzhan, from Prax Capital; (iii) the changes in fair value of completed investment properties, including Shanghai Fengyuan, Tianjin Fanbin, Jiangsu Friend—I, Kushan Yitian—I, and Dongguan Machong; and (iv) the changes in fair value of investment properties under construction, including Jiangsu Friend—III.

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Our investment properties further increased by 26.1% to US\$1,189.2 million as of December 31, 2017, primarily due to the cumulative increases from: (i) a newly added completed investment property, Shanghai Yita; (ii) a newly acquired parcel of land, Shanghai Yurun; (iii) the changes in fair value of completed investment properties, including Dongguan Machong, Jiangsu Friend—II and Tianjin Fanbin; and (iv) the changes in fair value of investment properties under construction, including Jiangsu Friend—III, offset by a disposal of subsidiaries, namely Shanghai Fengyuan, Jiangsu Yitian and Taicang Mingzhan to the China Invesco Fund.

Our investment properties further increased by 58.6% to US\$1,885.5 million as of December 31, 2018, primarily due to cumulative increases in: (i) newly added completed investment properties, including Redwood Higashi in Japan (which is designated for redevelopment in the near future) and certain properties in the PRC such as Jiangsu Friend—III; (ii) newly added investment properties under construction such as Jilin Yiling; (iii) the changes in fair value of completed investment properties primarily driven by Jiangsu Friend—I, Jiangsu Friend—III, Tianjin Fanbin and Langfang Weidu in the PRC; and (iv) the changes in fair value of investment properties under construction in line with their development progress such as Shenyang Yibei.

Our investment properties further increased by 40.9% to US\$2,656.5 million as of June 30, 2019, primarily due to: (i) our acquisitions of Propertylink; (ii) newly added completed investment properties, including Wuxi Lekun; (iii) newly added investment properties under construction, such as the Sachiura project, Langfang Hengjia and Fujian Pingfu; (iv) changes in fair value of completed investment properties primarily driven by increases in fair value of the Langfang Weidu and Jiangsu Friend properties in the PRC; and (v) changes in fair value of investment properties under construction during the development process.

Investments in Joint Ventures

Our investments in joint ventures mainly relates to our share of net assets of joint ventures, goodwill on retaining interests in joint ventures and receivables from joint ventures. As of the dates indicated, our joint ventures included E-Shang Star and Sunwood Star.

	As of December 31,			As of
	2016	2017	2018	June 30,
				2019
	(US\$ in thousands)			
Share of net assets	198,223	283,855	404,697	526,083
Goodwill on retaining interests in joint ventures	2	2	2	2
Receivables from joint ventures ⁽¹⁾	—	29,224	—	—
Total	198,225	313,081	404,699	526,085

Note:

(1) Receivables from joint ventures are unsecured, interest free and repayable on demand. The repayment of these receivables are neither planned nor likely to occur in the foreseeable future and are considered as part of our net investments in the joint ventures.

Our investment in joint ventures increased to US\$313.1 million as of December 31, 2017, as compared to US\$198.2 million as of December 31, 2016, primarily due to the contribution to joint ventures in the form of cash of US\$60.4 million and share of profits of joint ventures and associate of US\$37.0 million during the year. The further increase in our investment in joint ventures to US\$404.7 million as of December 31, 2018, as compared to US\$313.1 million as of December 31, 2017, was primarily due to our contribution to joint ventures in the form of cash of US\$31.2 million and share of

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profits of joint ventures and associate of US\$65.4 million in 2018. The further increase in our investment in joint ventures to US\$526.1 million as of June 30, 2019, as compared to US\$404.7 million as of December 31, 2018, was primarily due to our contribution to joint ventures in the form of cash of US\$42.1 million and share of profits of joint ventures and associate of US\$18.3 million as of June 30, 2019. During the Track Record Period, our interest in E-Shang Star was diluted from 30.00% to 25.62% in late 2017, whereas our interest in Sunwood Star has remained 20.0% since the merger with Redwood.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss comprise unquoted equity interests, at fair value and listed equity investments, at market value. The table below sets forth the breakdown of our financial assets at fair value through profit or loss as of the dates indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(US\$ in thousands)			
Unquoted equity interests, at fair value	140,577	292,982	335,771	504,903
Listed equity investments, at market value	—	69,091	—	—
Total	140,577	362,073	335,771	504,903

The fair values of unquoted equity investments are estimated based on our share of the net asset value of the investment funds and associates. In accordance with the exemption in IAS 28 Investments in Associates, we do not account for our investments in associates and joint ventures using the equity method as we act as investment fund managers. Instead, we have elected to measure our investments in associates and joint ventures at fair value through profit or loss in accordance with IAS 39 or IFRS 9. This exemption is related to the fact that fair value measurement provides more useful information for users of the financial statements than the application of the equity method. This is an exemption from the requirement to measure interests in associates using the equity method, rather than an exception to the scope of IAS 28 for the accounting for associates and joint ventures.

Investments in listed equity investments represent our investment in ESR-REIT, which is quoted on SGX. The fair value of listed equity investments is based on their quoted prices as of the year end in an active market.

Our financial assets at fair value through profit or loss increased to US\$362.1 million as of December 31, 2017, as compared to US\$140.6 million as of December 31, 2016, primarily due to: (i) the increase in the net asset value of the funds and investment vehicles and the associated project companies in which we made co-investments; and (ii) our investment in ESR-REIT in 2017. The decrease to US\$335.8 million as of December 31, 2018, as compared to US\$362.1 million as of December 31, 2017, was primarily attributable to reclassification of our investment in ESR-REIT (which was previously classified as financial assets at fair value through profit or loss) as equity instruments designated at fair value through other comprehensive income due to our adoption of IFRS 9, effective from January 1, 2018. The decrease was partially offset by the increase in the fair value of Redwood Japan Logistics Fund I Limited Partnership and Redwood Japan Logistics Fund II Limited Partnership attributable to the gain of the properties invested by Redwood Japan Logistics Fund I Limited Partnership and Redwood Japan Logistics Fund II Limited Partnership. The increase to US\$504.9 million as of June 30, 2019, as compared to US\$335.8 million as of December 31, 2018,

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was primarily attributable to the increase in the net asset value of the funds and investment vehicles in which we made co-investments and the associated project companies in which we made co-investments.

Our management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, our management analyzes the movements in the values of financial instruments and reviews the major inputs applied in the valuation. The valuation is reviewed and approved by our chief financial officer. The valuation process and results are discussed with the Board of Directors for annual financial reporting.

The fair values of unlisted financial assets at fair value through profit or loss have been estimated based on our share of the net asset fair value of the investment fund which comprise of the fair value of the underlying investment properties and book value of funds' working capital which similar to fair value in the view of the Directors. The fair value of these underlying investment properties were revalued on each year end based on valuation performed by independent professionally qualified valuers who are industry specialist in investment property valuation. The valuation requires the Directors to make estimates about the expected future cash flows. In determining fair value, a combination of approaches and methods were used to measure the fair value of the underlying investment properties in these investment funds, including the Direct Comparison Method and Discounted Cash Flow Method. The Direct Comparison Method is applied based on the market prices of comparable properties. Comparable properties with similar sizes, characters and locations were analyzed, and weighted against all respective advantages and disadvantages to arrive at the fair value of the property. The Discounted Cash Flow Method measures the value of a property by the present worth of the net economic benefit to be received over the life of the asset.

In relation to the valuation of the financial assets recognized at fair value through profit or loss, our Directors, based on the professional advice received, adopted the following procedures: (i) engaged independent professionally qualified valuers, provided necessary financial and non-financial information so as to enable the valuers to perform valuation procedures and discussed with the valuers on relevant assumptions; (ii) considered relevant information such as the price at which an asset was acquired, local property market conditions, values of comparable assets in the same market and current and projected operating performance, which require management assessments and estimates; and (iii) reviewed the valuation working papers and results prepared by the valuers. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuers on the financial assets recognized at fair value through profit or loss is fair and reasonable, and that the estimated fair values are the most appropriate values as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively.

Details of the fair value measurement of financial assets recognized at fair value through profit or loss, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value and reconciliation of level 3 measurements in connection with the underlying investment properties are disclosed in Note 49 to the Accountant's Report in Appendix I to this Prospectus issued by the Reporting Accountants in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountants' opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on page I-2 of the Accountants' Report set forth in Appendix I to this Prospectus.

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In relation to the valuation analysis performed by valuers on the financial assets recognized at fair value through profit or loss, the Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) review of relevant notes in the Accountants' Report set forth in Appendix I to this Prospectus and relevant documents provided by valuers; and (ii) discussed with the Company and the Reporting Accountants about the key basis and assumptions for the valuation of financial assets recognized at fair value through profit or loss. Having considered the work done by the Directors and Reporting Accountants and the relevant due diligence done as stated above, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to question the valuation analysis performed by the valuers on the financial assets recognized at fair value through profit or loss.

Available-for-Sale Investments

Our available-for-sale investments comprise unquoted equity interests, at fair value, unquoted equity investments, at cost, and investments in listed securities. The table below sets forth the breakdown of our available-for-sale investments as of the dates indicated.

	As of December 31,			As of
	2016	2017	2018	June 30,
	(US\$ in thousands)			2019
Unquoted equity interests, at fair value	1,131	—	—	—
Unquoted equity investments, at cost	361	8,327	—	—
Listed equity investments, at market value	—	181,489	—	—
Total	1,492	189,816	—	—

As of December 31, 2016, our unquoted equity investments, at fair value, comprised unquoted equity interests in Redwood Japan Logistics Fund Limited Partnership and Redwood Japan Logistics Fund II Limited Partnership in 2016. The unlisted equity investments were carried at fair value and was estimated based on our share of the net asset value of the investment funds. Our unquoted equity investments, at cost, related to an unquoted equity investment in the property manager of Viva Industrial Trust. This equity investment was carried at cost less accumulated impairment losses because the fair value could not be reliably determined. The variability in the range of reasonable fair value estimates was significant and the probabilities of the various estimates within the range of reasonable inputs were not sufficiently reliable to determine a fair value.

As of December 31, 2017, our listed equity investments, at market value, related to quoted equity investments on active markets, which include, among others, our investments in Viva Industrial Trust and Sabana REIT listed on the SGX, Propertylink and Centuria listed on the ASX and CNLP listed on the HKSE.

The increase in available-for-sale investments from December 31, 2016 to December 31, 2017 was primarily due to the increase in our investments in listed securities.

Since January 1, 2018, our unquoted equity investments in the property manager of Viva Industrial Trust and all of our publicly listed equity investments (which were previously classified as the available-for-sale investments) have been re-classified to financial assets at fair value through comprehensive income due to our adoption of IFRS 9.

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Financial Assets at Fair Value through Other Comprehensive Income

Our financial assets at fair value through other comprehensive income comprise listed equity investments at market value. The recording of our financial assets at fair value through other comprehensive income in 2018 was as a result of reclassification of our unquoted equity investments in the property manager of Viva Industrial Trust and all of our publicly listed equity investments (which were previously classified as available-for-sale investments) and our investment in ESR-REIT (which was previously classified as financial assets at fair value through profit or loss) as equity instruments designated at fair value through other comprehensive income due to our adoption of IFRS 9, effective from January 1, 2018.

The table below sets forth our financial assets at fair value through other comprehensive income as of the dates indicated.

	As of December 31,			As of
	2016	2017	2018	June 30,
	(US\$ in thousands)			2019
Listed equity investments, at market value	—	—	484,239	468,958

Listed equity investments, at market value, represent our investments in public companies listed on the SGX, ASX and the HKSE, which are quoted in an active market. The market values of the listed equity investments are based on their quoted prices as of December 31, 2018 and June 30, 2019 in active markets.

Goodwill and Other Intangible Assets

Our goodwill mainly relates to business combinations and acquisitions. We recorded goodwill of US\$210.5 million, US\$226.2 million, US\$285.4 million and US\$340.2 million as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively. The goodwill of US\$210.5 million as of December 31, 2016 and US\$226.2 million as of December 31, 2017 was primarily due to the 2016 Merger and our acquisition of the ESR-REIT Manager in January 2017. The increase to US\$285.4 million as of December 31, 2018, as compared to US\$226.2 million as of December 31, 2017, was due to our acquisition of CIP and VITM. The increase to US\$340.2 million as of June 30, 2019 was attributable to our acquisitions of Propertylink and Sabana Manager.

Our other intangible assets mainly relate to software and management contracts in 2016 in connection with the merger with Redwood; software, management contracts and trust management rights with indefinite useful life in 2017 in connection with the acquisition of the ESR-REIT Manager; and software, management contracts, trust management rights with indefinite useful life and customer contracts in 2018 in connection with the acquisition of CIP and VITM. We recorded other intangible assets of US\$25.0 million, US\$48.2 million, US\$79.5 million and US\$96.7 million as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively.

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Trade Receivables

Our trade receivables primarily comprise rental income receivables, management fees due from our joint ventures, management fees due from funds managed by us and other income receivables. The table below sets forth a breakdown of our trade receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(US\$ in thousands)			
Rental income receivables	6,757	5,636	4,889	4,527
Management fees due from our joint ventures	1,821	8,004	16,058	12,798
Management fees due from funds managed by us	693	16,649	34,309	28,317
Construction income receivables	—	—	7,481	5,221
Other income receivables	—	159	320	1,007
Total	9,271	30,448	63,057	51,870

Our trade receivables increased by 228.4% from US\$9.3 million as of December 31, 2016 to US\$30.4 million as of December 31, 2017, primarily due to the increases in: (i) management fees due from funds managed by us attributable to the expansion of and the significant growth in our fund management business; and (ii) management fees due from our joint ventures, partially offset by a decrease in rental income receivables as of December 31, 2017 due to the timing of the billings. Our trade receivables further increased to US\$63.1 million as of December 31, 2018, primarily due to the increases in: (i) management fees due from our joint ventures attributable to increases in the number of properties held by our joint ventures and development activities at our joint ventures; and (ii) management fees due from funds managed by us attributable to the expansion of and the significant growth in our fund management business. As of December 31, 2018, we had construction income receivables of US\$7.5 million due to our acquisition of CIP in August 2018. Our trade receivables decreased to US\$51.9 million as of June 30, 2019, primarily due to decreases in management fees due from joint ventures and funds managed by us attributable to lower promote fee accrued as of June 30, 2019, compared to December 31, 2018.

The following table sets out the aging analysis of our trade receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(US\$ in thousands)			
Within 90 days	5,757	28,337	36,292	39,838
91 to 180 days	3,514	2,111	23,015	3,699
Over 180 days	—	—	3,750	8,333
Total	9,271	30,448	63,057	51,870

As of December 31, 2016 and 2017, the aging of our trade receivables is within six months. In 2018, we granted a 180-day credit term to the joint venture managed by Kendall Square Logistics Properties Inc., which receivables were settled. As of June 30, 2019, the receivables due over 180 days were primarily due to receivables from a tenant pursuant to a one-off arrangement which we expect to be settled by the end of the year. All receivables that were neither past due nor impaired relate mainly to receivables from tenants, for whom there was no recent history of default. Our management, based on IAS 39's incurred loss approach, is of the opinion that no provision for trade receivables was necessary as of December 31, 2016, 2017 and 2018 and June 30, 2019 as there has not been a significant credit risk.

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From January 1, 2018, we have applied the simplified approach to providing impairment for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss below also incorporates forward-looking information. The impairments as of December 31, 2018 and June 30, 2019 were determined as follows:

	December 31, 2018 Current	June 30, 2019 Current
Expected credit loss rate	<0.001%	<0.001%
Gross carrying amount (US\$ in thousands)	63,057	51,870
Impairment (US\$ in thousands)	—	—

As a result, no impairment provision was made as of December 31, 2018 and June 30, 2019.

We typically do not extend credit to our customers for their payment of rents and management fees. We seek to maintain strict control over our outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that our trade receivables relate to various diverse customers, there is no significant concentration of credit risk. We do not hold any collateral or other credit enhancements over our trade receivable balances. The balances of trade receivables are non-interest-bearing. As of August 31, 2019, US\$26.3 million, or 50.7% of our trade receivables as of June 30, 2019, was settled.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets mainly relate to deposits for acquisitions, due from other related parties, prepayment on behalf of funds, insurance compensation receivable and deductible value added tax. The table below sets forth a breakdown of our prepayments, other receivables and other assets as of the dates indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(US\$ in thousands)			
Deposits for acquisition	12,618	6,456	19,917	11,655
Due from related parties	5,426	7,507	15,911	18,767 ⁽¹⁾
Receivable from funds	—	—	99,212	80,186
Prepayment on behalf of funds	—	8,563	46,938	26,835
Prepayments to suppliers	1,372	1,278	4,355	7,246
Dividend receivable	—	4,813	4,362	4,402
Contract assets	—	—	5,048	3,824
Deductible value added tax	—	4,917	4,849	12,250
Insurance compensation receivable	—	—	8,617	8,830
Other receivable	2,868	3,605	15,464	25,308
Total	22,284	37,139	224,673	199,303

Note:

- (1) Approximately US\$14.3 million of the balance due from related parties are trade in nature and approximately US\$4.5 million are non-trade in nature. The portion which is non-trade in nature relates to two interest-free and unsecured loans provided by our Group to two companies held by three Directors for the purposes of incentivizing these Directors to contribute to us and enabling us to retain high-caliber human resources that are valuable to us. For further details, see Note 42 to the Accountants' Report set forth in Appendix I to this Prospectus.

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Our prepayments, other receivables and other assets increased by 66.7% from US\$22.3 million as of December 31, 2016 to US\$37.1 million as of December 31, 2017, primarily due to: (i) prepayments on behalf of funds and investment vehicles we managed in order to seed assets for the funds and investment vehicles we managed; (ii) increase of amounts due from related parties attributable to the costs incurred by us on behalf of Redwood in order to secure land; and (iii) dividends receivable from our equity investments in publicly listed securities and deductible value added tax in 2017. Our prepayments, other receivables and other assets increased by 505.3% from US\$37.1 million as of December 31, 2017 to US\$224.7 million as of December 31, 2018, primarily due to: (i) a receivable from funds in 2018 in connection with the disposal of Redwood Japan Logistics Fund Limited Partnership and another investment vehicle in Japan; (ii) an increase in prepayments on behalf of funds in connection with the construction payment paid on behalf of India Fund; (iii) the recording of the deposits for acquisition of a project in the PRC; and (iv) an increase in due from related parties attributable to the receivables in connection with joint ventures associated with CIP which we acquired in August 2018. We had insurance compensation receivable of US\$8.6 million as of December 31, 2018 as we were in the process of obtaining the insurance compensation for our solar assets that were damaged in a typhoon in Japan in September 2018. Our prepayments, other receivables and other assets decreased by 11.3% from US\$224.7 million as of December 31, 2018 to US\$199.3 million as of June 30, 2019, primarily due to: (i) a decrease in prepayments on behalf of funds in connection with the injection of capital in India Fund; (ii) a decrease in receivable from funds in connection with the settlement of an outstanding receivable in January 2019; and (iii) a decrease in deposits for acquisition primarily due to the completion of Wuxi Lekun project; which were partially offset by (iv) an increase in deductible value added tax and other receivable.

Trade Payables, Accruals and Other Payables

Our trade payables, accruals and other payables mainly relate to payables for purchase of property, plant and equipment and investment properties and accruals. The table below sets forth a breakdown of trade payables, accruals and other payables as of the dates indicated.

	As of December 31,			As of
	2016	2017	2018	June 30,
	(US\$ in thousands)			2019
Accruals	8,738	18,117	37,168	23,637
Trade payables	—	—	5,207	4,562
Payables for purchase of property, plant and equipment and investment properties	9,940	22,269	15,833	27,600
Staff payroll and welfare payables	3,551	6,325	15,375	15,710
Other tax payable	2,776	3,928	3,044	4,976
Deferred rents	2,128	1,383	1,222	1,752
Interest payable	998	3,624	7,817	23,282
Due to related parties	972	731	2,633	3,438 ⁽¹⁾
Due to other shareholder of fund	—	1,378	—	—
Payable to a fund	—	—	16,789	2,010
Others	1,322	950	6,655	21,782
Total	30,425	58,705	111,743	128,749

Note:

- (1) Approximately US\$3.1 million of the balance due to related parties are trade in nature and approximately US\$0.34 million are non-trade in nature. The portion which is non-trade in nature relates to loans granted by certain of our shareholders to us which will be waived prior to the Proposed Listing.

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Our trade payables, accruals and other payables increased by 92.9% from US\$30.4 million as of December 31, 2016 to US\$58.7 million as of December 31, 2017, primarily due to: (i) an increase in our accruals primarily attributable to professional fees and other administrative and maintenance fees incurred by our management companies; and (ii) an increase in payables for purchase of property, plant and equipment and investment properties, accruals and interest payables primarily attributable to increase in construction costs incurred in connection with the development of various projects as a result of our business expansion. Our trade payables, accruals and other payables increased by 90.3% from US\$58.7 million as of December 31, 2017 to US\$111.7 million as of December 31, 2018, primarily due to: (i) an increase in our accruals primarily attributable to the consolidation of the ongoing construction payables of CIP, which we acquired in August 2018; (ii) the recording of trade payables from construction materials purchased by CIP; (iii) an increase in staff payroll and welfare payables which was in line with the increase in expenses as a result of the acquisition of CIP in August 2018 and the accrued bonus; (iv) an increase in interest payables attributable to new loans obtained for the financing of our investments and operations; (v) a payable to a fund in 2018, representing the balance to Redwood Japan Logistic Fund Limited Partnership which was recorded as financial assets at fair value through profit or loss before the disposal; and (vi) an increase in other payables attributable to our acquisition of VITM in October 2018. The increase was partially offset by a decrease in payables for purchase of property, plant and equipment and investment properties. Our trade payables, accruals and other payables increased by 15.2% from US\$111.7 million as of December 31, 2018 to US\$128.7 million as of June 30, 2019, primarily due to: (i) an increase in interest payables attributable to the additional bonds which we issued in the first half of 2019; and (ii) an increase in payables for purchase of property, plant and equipment and investment properties in connection with the acquisition of land in the PRC and land for the Sachiura project in Japan; partially offset by (iii) a decrease in accruals due to the completion of several construction projects of CIP; and (iv) settlement of payables to a fund in early 2019. As of August 31, 2019, US\$1.5 million, or 32.9% of our trade payables as of June 30, 2019 was settled.

The following table sets out the aging analysis of our trade payables as of the dates indicated:

	As of December 31,			As of
	2016	2017	2018	June 30,
	(US\$ in thousands)			2019
Within 30 days	—	—	4,283	1,584
30 to 60 days	—	—	881	2,978
Over 60 days	—	—	43	—
Total	<u>—</u>	<u>—</u>	<u>5,207</u>	<u>4,562</u>

Subordinated Perpetual Capital Securities

In June 2017, we issued subordinated perpetual capital securities with an aggregate principal amount of US\$100 million. The distribution rate is 8.25% per annum, with the first distribution rate reset in June 2020 and subsequent resets occurring every three years thereafter. Distributions are payable semi-annually in arrears. Subject to the relevant terms and conditions of the subordinated perpetual capital securities, we may elect to defer making distributions on the subordinated perpetual capital securities and there are no limit as to the number of times a distribution can be deferred. The subordinated perpetual capital securities may be redeemed at our option at principal amount in June 2020 or upon the occurrence of certain redemption events specified in the conditions of the issuance. If the subordinated perpetual capital securities are not redeemed by the first distribution rate reset date,

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the distribution rate will be subject to a step up margin of 5.00% per annum. The subordinated perpetual capital securities are classified as equity instruments and recorded in equity in our consolidated statement of financial position.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity have been proceeds from cash flows from operating activities and financing activities. For the years ended December 31, 2016, 2017 and 2018 and for the six months ended June 30, 2018 and 2019, our cash and cash equivalents were US\$411.8 million, US\$527.0 million, US\$502.1 million, US\$532.4 million and US\$943.6 million, respectively. Our cash and cash equivalents primarily consist of cash on hand and at banks earning interest at floating rates based on daily bank deposit rates. As of June 30, 2019, our cash and cash equivalents were denominated in U.S. dollars, Renminbi, Hong Kong dollars, Japanese Yen, Korean won, Singapore dollars, Australian dollars and Indian rupees.

The following table sets forth a selected summary of our statement of cash flows for the periods indicated.

	Year Ended December 31,			Six Months Ended June 30,	
	2016	2017	2018	2018	2019
				(unaudited)	
	(US\$ in thousands)				
Net cash generated from operating activities	22,039	36,396	79,340	23,306	14,367
Net cash used in investing activities	(264,271)	(472,801)	(786,778)	(463,706)	(583,970)
Net cash generated from financing activities	522,081	526,691	688,677	445,394	1,008,912
Net increase/(decrease) in cash and cash equivalents	279,849	90,286	(18,761)	4,994	439,309
Cash and cash equivalents at beginning of year . . .	144,319	411,765	526,988	526,988	502,056
Effect of foreign exchange rate changes, net	(12,403)	24,937	(6,171)	372	2,254
Cash and cash equivalents at end of year/period	411,765	526,988	502,056	532,354	943,619

Operating Activities

Net cash generated from operating activities for the six months ended June 30, 2019 amounted to US\$14.4 million, which was primarily attributable to the profit before tax of US\$122.7 million adjusted for non-cash items including finance costs of US\$83.4 million, equity-settled share option expense of US\$9.9 million, fair value gains on investment properties under construction of US\$76.8 million, fair value gains on completed investment properties of US\$26.8 million, fair value gains on financial assets at fair value through profit or loss of US\$22.8 million, share of profits and losses of joint ventures and associates of US\$18.3 million, and offset by the effect of the movements of working capital and other cash items such as the amount of income tax paid. Our movements in working capital reflected a decrease in trade receivables of US\$11.2 million due to lower management fee receivables as discussed above, a decrease in trade payables, accruals and other payables of US\$13.6 million and an increase in prepayments, other receivables and other assets of US\$4.9 million that were related to our operating activities and the payment of income tax of US\$18.6 million.

Net cash generated from operating activities in 2018 amounted to US\$79.3 million, which was primarily attributable to the profit before tax of US\$270.6 million adjusted for non-cash items including finance costs of US\$104.9 million, loss on disposal of items of property, plant and equipment of

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US\$9.7 million, equity-settled share option expense of US\$23.2 million, fair value gains on completed investment properties of US\$109.7 million, share of profits and losses of joint ventures and associates of US\$65.4 million, fair value gains on investment properties under construction of US\$62.8 million, fair value gains on financial assets at fair value through profit or loss of US\$44.9 million and offset by the effect of the movements of working capital and other cash items such as the amount of income tax paid. Our movements in working capital reflected an increase in trade payables, accruals and other payables of US\$27.7 million, partially offset by an increase in trade receivables of US\$21.0 million due to the growth in our business operations, particularly our funds management business, and an increase in prepayments, other receivables and other assets of US\$17.2 million that were related to our operating activities and the payment of income tax of US\$16.2 million.

Net cash generated from operating activities in 2017 amounted to US\$36.4 million, which was primarily attributable to the profit before tax of US\$273.2 million adjusted for non-cash items including finance costs of US\$90.9 million, equity-settled share option expense of US\$11.9 million, fair value gains on completed investment properties of US\$95.2 million, fair value gains on investment properties under construction of US\$100.0 million, gains on disposal of subsidiaries of US\$38.3 million, share of profits and losses of joint ventures and associates of US\$37.0 million, and fair value gains on financial assets at fair value through profit or loss of US\$32.7 million, and offset by the effect of the movements of working capital and other cash items such as the amount of income tax paid. Our movements in working capital reflected an increase in trade receivables of US\$22.4 million and an increase in prepayments, other receivables and other assets of US\$25.7 million as due to our business expansion, partially offset by an increase in trade payables, accruals and other payables of US\$29.2 million that were related to our operating activities and the payment of income tax of US\$12.5 million.

Net cash generated from operating activities in 2016 amounted to US\$22.0 million, which was primarily attributable to the profit before tax of US\$139.7 million adjusted for non-cash items including finance costs of US\$56.0 million, fair value loss on derivative financial instruments of US\$12.1 million, fair value gains on completed investment properties of US\$100.8 million, share of profits and losses of joint ventures and associates of US\$36.4 million, fair value gains on financial assets at fair value through profit or loss of US\$26.7 million and fair value gains on investment properties under construction of US\$5.8 million, and offset by the effect of the movements of working capital and other cash items such as the amount of income tax paid. Our movements in working capital reflected an increase in trade receivables of US\$2.3 million and an increase in prepayments, other receivables and other assets of US\$6.4 million which are in line with our business growth, and a decrease in trade payables, accruals and other payables of US\$13.1 million.

Investing Activities

Net cash used in investing activities for the six months ended June 30, 2019 amounted to US\$584.0 million, which was primarily attributable to acquisition of subsidiaries including Propertylink of US\$445.0 million, additions to investment properties of US\$242.8 million, purchase of financial assets of fair value through profit and loss of US\$129.0 million, capital injection in joint ventures of US\$42.1 million and purchase of financial assets at fair value through other comprehensive income of US\$37.3 million, partially offset by proceeds of US\$119.4 million from disposal of certain of our subsidiaries which held seven properties to NCI Core Fund.

Net cash used in investing activities in 2018 amounted to US\$786.8 million, which was primarily attributable to purchase of financial assets at fair value through other comprehensive income

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of US\$243.7 million, acquisition of subsidiaries holding investment properties in the PRC, CIP, VITM, Redwood Higashi in Japan and Blackwood Group of US\$166.0 million, purchase of financial assets of fair value through profit and loss of US\$154.5 million, additions to investment properties of US\$107.0 million, prepayment of financial assets at fair value through profit or loss of US\$42.8 million, capital injection in joint ventures of US\$31.2 million and purchases of property, plant and equipment of US\$13.2 million.

Net cash used in investing activities in 2017 amounted to US\$472.8 million, which was primarily attributable to purchase of an available-for-sale investment of US\$193.8 million, additions to investment properties of US\$134.9 million, acquisition of subsidiaries of US\$133.2 million, purchase of financial assets at fair value through profit or loss of US\$87.7 million, capital injections in our joint ventures, E-Shang Star and Sunwood Star, of US\$60.4 million and purchase of property, plant and equipment of US\$16.0 million, partially offset by proceeds from the disposal of subsidiaries of US\$150.5 million to seed China Invesco Core Fund.

Net cash used in investing activities in 2016 amounted to US\$264.3 million, which was primarily attributable to capital injections in our joint ventures, E-Shang Star and Sunwood Star, of US\$80.5 million, additions to investment properties of US\$68.4 million, purchase of financial assets at fair value through profit or loss of US\$51.2 million, acquisition of subsidiaries from Prax Capital of US\$40.3 million, and prepayments of financial assets at fair value through profit or loss of US\$30.3 million, partially offset by proceeds of US\$12.7 million from disposal of subsidiaries held on our balance sheet under our South Korea development platform to Sunwood Star.

Financing Activities

Net cash generated from financing activities for the six months ended June 30, 2019 amounted to US\$1,008.9 million, which was primarily attributable to proceeds from bank loans and other borrowings of US\$1,606.6 million for financing our acquisitions and balance sheet projects and for financing our business operations, partially offset by repayment of bank loans and other borrowings of US\$546.0 million and interest of bank loans and other borrowings paid of US\$42.7 million.

Net cash generated from financing activities in 2018 amounted to US\$688.7 million, which was primarily attributable to proceeds from bank loans and other borrowings of US\$584.8 million for financing our balance sheet projects and for financing our business operations and proceeds from the issue of shares of US\$361.1 million, partially offset by repayment of bank loans and other borrowings of US\$195.5 million, and interest of bank loans and other borrowings paid of US\$54.6 million.

Net cash generated from financing activities in 2017 amounted to US\$526.7 million, which was primarily attributable to proceeds from the issue of shares of US\$473.3 million, proceeds from bank loans and other borrowings of US\$330.1 million for financing our balance sheet projects and for financing our business operations and the issue of subordinated perpetual capital securities of US\$98.8 million, partially offset by repayments of bank loans and other borrowings of US\$294.6 million and interest of bank loans and other borrowings paid of US\$46.7 million.

Net cash generated from financing activities in 2016 amounted to US\$522.1 million, which was primarily attributable to proceeds from bank loans and other borrowings of US\$682.4 million, including proceeds from the issuance of the Hana Notes, for financing our balance sheet projects and for financing our business operations, proceeds from the issue of redeemable convertible preference

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shares of US\$285.0 million, partially offset by repayments of bank loans and other borrowings of US\$344.9 million, increase in pledged bank deposits for bank loans of US\$58.3 million and interest of bank loans and other borrowings paid of US\$55.8 million.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Operating Lease Commitments

We are the lessee in respect of a number of properties for our office use and in respect of land held under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew such leases when all the terms are renegotiated. As of June 30, 2019, we had total future minimum lease receivable under non-cancellable operating leases of US\$443.4 million. The table below summarizes our non-cancellable operating lease receivables as of the dates indicated.

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Within one year	59,170	62,076	82,472	114,411
In the second to fifth years, inclusive	145,518	179,698	207,834	271,675
After five years	17,807	40,520	18,667	57,341
	<u>222,495</u>	<u>282,294</u>	<u>308,973</u>	<u>443,427</u>

Capital Commitments

Our capital commitments during the Track Record Period were primarily relating to purchase of property, plant and equipment. The table below sets forth the breakdown of our capital commitments as of the dates indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
		(US\$ in thousands)		
Contracted, but not provided for investment properties	70,743	57,648	306,725	326,872
Contracted, but not provided for plant and machinery	—	—	—	11,143
Authorized, but not contracted for investment properties	—	—	—	49,933
Undrawn capital calls to real estate investment funds	<u>213,670</u>	<u>48,503</u>	<u>50,581</u>	<u>392,786</u>
Total	<u>284,413</u>	<u>106,151</u>	<u>357,306</u>	<u>780,734</u>

We, as the general partner or the investment manager, are entitled to call capital from capital partners at any time during the respective commitment periods as prescribed in the governing documents of the funds and investment vehicles we manage, and we depend on capital partners fulfilling their commitments when called to fund, investments and otherwise fulfill their obligations when due. As of December 31, 2016, 2017 and 2018 and June 30, 2019, the total amount of our outstanding capital commitments was US\$284.4 million, US\$106.2 million, US\$357.3 million and US\$780.7 million, respectively. We had higher capital commitments as of December 31, 2016 than we did as of December 31, 2017 because we raised capital for a number of new funds and investment vehicles established in 2016, the capital of which was not completely drawn in 2016. Our capital commitments in 2017 decreased as commitments to the funds and investment vehicles we manage were drawn down. We had higher capital commitments as of December 31, 2018 than we did in 2017 because we had capital commitments for several new development projects. We had higher capital

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commitments as of June 30, 2019 primarily because we had higher capital commitment for investment properties in Australia which were not contracted yet and an increase in undrawn capital call from funds and investment vehicles in which we made co-investments.

Other than the contractual obligations set forth above and disclosure set forth elsewhere in this Prospectus, we do not have any other long-term debt obligations, operating lease commitments, capital commitments or other long-term liabilities.

CAPITAL EXPENDITURES

Our capital expenditures consist of additions to property, plant and equipment, investment properties and intangible assets including assets from the acquisitions of subsidiaries. Our historical capital expenditures were primarily funded by our cash and cash equivalents, cash flows from our operating activities and financing activities, including bank borrowings and debt offerings.

Our capital expenditures amounted to US\$235.7 million in 2016, US\$328.9 million in 2017, US\$646.4 million in 2018 and US\$962.7 million for the six months ended June 30, 2019. Our capital expenditures increased from 2016 to 2017, primarily due to significant increases in our additions to investment properties and intangible assets due to our increasing investment and acquisition activities in the PRC and Japan, and the increase in our purchases of property, plant and equipment due to an increase in our office expansion and IT infrastructure costs. Our capital expenditures increased from 2017 to 2018, primarily due to significant increases in our additions to investment properties and intangible assets due to our increasing investment and acquisition activities in the PRC, acquisition of additional interest in RW Higashi Pte. Ltd. and the increase in our purchases of property, plant and equipment due to an increase in our office expansion and IT infrastructure costs. Our capital expenditures increased from December 31, 2018 to June 30, 2019, primarily due to the development of the Sachiura properties on our balance sheet, our acquisition of Propertylink and the increase in our purchases of property, plant and equipment due to an increase in our office expansion and IT infrastructure costs.

We currently expect to incur capital expenditures in connection with the existing investment properties on our balance sheet for the years ending December 31, 2019 and 2020 as follows.

	<u>Year Ending December 31, 2019</u>	<u>Year Ending December 31, 2020</u>
	(US\$ millions)	
Planned capital expenditures	1,226.5	424.7

Pursuant to our business expansion plan, it is currently estimated that the total capital expenditure in connection with the existing investment properties on our balance sheet to be incurred in 2019 and 2020, without taking into account the investment properties to be acquired or built on our balance sheet in the future, amounts to US\$1,226.5 million and US\$424.7 million, respectively, which are primarily for the acquisition of land, development of our logistics facilities and other related purposes in our ordinary course of business. We plan to fund these capital expenditures with: (i) our existing cash and cash equivalents; (ii) cash flow generated from our operating activities; (iii) proceeds from the Global Offering; and (iv) other sources of external financings, including equity or equity-linked securities. We will continue to make capital expenditures to support the growth of our business. See the sections headed “Business—Competitive Strengths and Strategies—Strategies” and “Future Plans and Use of Proceeds” in this Prospectus for further details about our planned capital expenditure in connection with investment properties on our balance sheet. Such estimate represents

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the total capital expenditure that we expect to incur in connection with investment properties on our balance sheet in the periods indicated above based on our existing business plans. We may adjust our business plans from time to time and the estimated total capital expenditure in connection with investment properties on our balance sheet may also change.

WORKING CAPITAL

We recorded net current assets of US\$407.6 million, US\$506.0 million, US\$13.7 million, US\$174.3 million and US\$289.5 million, respectively, as of December 31, 2016, 2017, 2018, June 30, 2019 and August 31, 2019. The table below sets forth a breakdown of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of	As of
	2016	2017	2018	June 30,	August 31,
				2019	2019
	(US\$ in thousands)				
Current assets					
Trade receivables	9,271	30,448	63,057	51,870	60,154
Prepayments, other receivables and other assets	22,284	37,139	224,673	199,303	125,884
Cash and bank balances ⁽¹⁾	485,545	600,791	581,379	1,010,390	1,155,496
Total current assets	517,100	668,378	869,109	1,261,563	1,341,534
Current liabilities:					
Bank loans and other borrowings ⁽²⁾	75,862	91,706	436,194	630,135 ⁽³⁾	589,536
Lease liabilities	1,314	2,335	3,374	6,091	5,907
Redeemable convertible preference shares	—	—	296,778	316,010	324,539
Trade payables, accruals and other payables	30,425	58,705	111,743	128,749	125,474
Income tax payable	1,937	9,616	7,284	6,289	6,537
Total current liabilities	109,538	162,362	855,373	1,087,274	1,051,993
Net current assets	407,562	506,016	13,736	174,289	289,541

Notes:

(1) Included pledged bank deposits.

(2) Current portion due within the next one year.

(3) Included the bank loans of Propertylink which we acquired and the External Acquisition Facility we obtained for the purposes of acquiring Propertylink which have now been refinanced. For further details, see the section headed “Business—The Propertylink Acquisition.”

We recorded an increase of US\$98.4 million in net current assets from US\$407.6 million as of December 31, 2016 to US\$506.0 million as of December 31, 2017, primarily due to: (i) an increase in cash and bank balances, including pledged bank deposits, primarily attributable to proceeds from the issue of new shares, net cash generated from our operating activities and issue of subordinated perpetual capital securities; (ii) an increase in trade receivables, primarily driven by the increases in management fees due from funds managed by us attributable to the growth in our fund management business; and (iii) an increase in prepayments, other receivables and other assets, partially offset by: (i) an increase in trade payables, accruals and other payables driven by an increase in our accruals primarily attributable to professional fees and other administrative and maintenance fees incurred by our management companies and an increase in payables for purchase of property, plant and equipment and investment properties, accruals and interest payables primarily attributable to increase in construction costs incurred in connection with the development of projects; and (ii) an increase in bank loans and other borrowings for financing our balance sheet projects and our business operations.

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We recorded a decrease of US\$492.3 million in net current assets from US\$506.0 million as of December 31, 2017 to US\$13.7 million as of December 31, 2018, primarily due to: (i) an increase in the current liabilities due to the reclassification of the Class C Preference Shares to current liabilities; (ii) an increase in bank loans and other borrowings for financing our balance sheet projects and our business operations; (iii) an increase in trade payables, accruals and other payables due to consolidation of payables of CIP and (iv) a decrease in cash and bank balances, including pledged bank deposits, primarily attributable to the increased net cash used in investing activities, partially offset by the increased net cash generated from operating activities and financing activities. The decrease in net current assets was partially offset by (i) an increase in prepayments, other receivables and other assets driven by the recording of the deposits for acquisition of land in India to seed the India Fund and the acquisition of properties for our balance sheet and an increase in due from related parties attributable to the receivables in connection with joint ventures associated with CIP, which we acquired in August 2018; and (ii) an increase in trade receivables due to growth in our fund management business.

We recorded an increase of US\$160.6 million in net current assets from US\$13.7 million as of December 31, 2018 to US\$174.3 million as of June 30, 2019, primarily due to an increase in cash and bank balances, primarily attributable to proceeds from the issue of new bonds and loans, partially offset by an increase in current liabilities primarily attributable to the short term revolving loan facility of US\$150 million and an increase in lease liabilities due to our acquisition of Propertylink.

We recorded an increase of US\$115.2 million from net current assets of US\$174.3 million as of June 30, 2019 to net current assets of US\$289.5 million as of August 31, 2019, primarily due to proceeds from additional bonds issued in July 2019.

Taking into account the financial resources available to us, including our internally generated funds, our existing facilities, the proposed facilities supported by letters of intent issued by banks, the estimated net proceeds from the Global Offering (after a possible Downward Offer Price Adjustment setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range) and other funds raised from the capital markets from time to time, our Directors, after due and careful consideration, confirmed that we have sufficient working capital to meet our anticipated cash needs, including our working capital and capital expenditure requirements, for at least the next 12 months from the date of this Prospectus. After due consideration and discussion with our management and based on the above, the Joint Sponsors have no reason to believe that we cannot meet the working capital requirements for the 12-month period from the date of this Prospectus.

Our future cash requirements will depend on many factors, including our operating cash flows, capital expenditures on our logistics properties and their development and changing business conditions and future developments, including any investments or acquisitions we may decide to pursue. We may require additional cash due to changing business conditions or other future developments. If our existing cash is insufficient to meet our requirements, we may seek funding from the capital markets or borrow from lending institutions. See the section headed “Risk Factors—Risks Relating to Our Business and Industry—Our business and the funds and investment vehicles we manage require significant upfront investment, and we and the funds and investment vehicles we manage may experience lower than expected returns on such investment” in this Prospectus.

Our Directors confirm that we did not have any material default in payment of trade and non-trade payables, bank borrowings and other debt financing obligations and/or breaches of finance covenants during the Track Record Period and up to the Latest Practicable Date.

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INDEBTEDNESS

Bank Loans and Other Borrowings

As of December 31, 2016, 2017 and 2018, June 30, 2019 and August 31, 2019, our total bank loans and other borrowings amounted to US\$835.3 million, US\$833.4 million, US\$1,460.5 million, US\$2,803.7 million and US\$3,042.5 million, respectively. The amounts of bank loans and other borrowings were primarily used as underlying funds to support our projects. The decrease of 0.2% from US\$835.3 million as of December 31, 2016 to US\$833.4 million as of December 31, 2017 was primarily due to our repayment of certain loans. The increase of 75.2% from US\$833.4 million as of December 31, 2017 to US\$1,460.5 million as of December 31, 2018 was primarily due to the increase in financing needs resulting from the expansion of our business. The increase of 92.0% from US\$1,460.5 million as of December 31, 2018 to US\$2,803.7 million as of June 30, 2019 was primarily due to the consolidation of the loans and other borrowings of Propertylink on our balance sheet as a result of our acquisition of Propertylink and the bonds issued in the first half of 2019 to finance our business growth. We have refinanced such loans as change of control provisions under such loans were triggered by our acquisition of Propertylink. The increase in bank loans and other borrowings was also attributable to the External Acquisition Facility in connection with our acquisition of Propertylink, which has now been refinanced with debt that is secured by the underlying assets of Propertylink. The increase of 8.5% from US\$2,803.7 million as of June 30, 2019 to US\$3,042.5 million as of August 31, 2019 as primarily due to issuance of additional bonds in July 2019. Our bank loans and other borrowings during the Track Record Period were denominated in U.S. dollars, Renminbi, Japanese Yen, Australian dollars and Singapore dollars.

In November 2016, we issued US\$300 million of the Hana Notes with a fixed rate of 6.3% to Hana Private Real Estate Investment Trust No. 16 and Hana Private Real Estate Investment Trust No. 17. The Hana Notes will mature in November 2019. Certain of our existing shareholders provided certain security support in connection with Hana Notes which will be released prior to completion of the Global Offering. We plan to redeem the Hana Notes upon the completion of the Global Offering using part of the proceeds of the Global Offering.

In February 2019, we issued SGD150 million (approximately US\$109.4 million) of 6.75% Notes due February 2022 under our US\$2.0 billion Multicurrency Debt Issuance Programme. We subsequently issued three further tranches within the same series, two in March 2019 and one in May 2019, amounting to an aggregate of SGD200 million (approximately US\$145.8 million). The aggregate total amount of 6.75% Notes issued to date is SGD350 million (approximately US\$255.2 million). Proceeds from the 6.75% Notes will be used to refinance certain existing borrowings and to finance potential acquisition and investment opportunities we may pursue in the future, as well as to satisfy our working capital requirements and for general corporate purposes. The 6.75% Notes are redeemable by our Company for taxation reasons and will remain as subordinated and unsecured obligations of our Company for as long as the Hana Notes remain outstanding. From and including the date on which the Hana Notes have been redeemed in full or are otherwise no longer outstanding, the 6.75% Notes will constitute unsubordinated and unsecured obligations of our Company.

In April 2019, we issued US\$250 million of 7.875% Notes due April 2022 under our US\$2.0 billion Multicurrency Debt Issuance Programme. In July 2019, we subsequently issued a further tranche under the same series amounting to an aggregate of US\$175 million, which was consolidated with the April 2019 issuance to form a single series of US\$425 million 7.875% Notes. Proceeds from the 7.875% Notes will be used to refinance certain existing borrowings and to finance potential

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acquisition and investment opportunities we may pursue in the future, as well as to satisfy our working capital requirements and for general corporate purposes. The 7.875% Notes are redeemable by our Company for taxation reasons and will remain as subordinated and unsecured obligations of our Company for as long as the Hana Notes remain outstanding. From and including the date on which the Hana Notes have been redeemed in full or are otherwise no longer outstanding, the 7.875% Notes will constitute unsubordinated and unsecured obligations of our Company.

In May 2019, we entered into a new facility agreement under which we borrowed the full amount of a US\$100 million three year term loan facility to fund our working capital requirements and for general corporate purposes, and we also entered into a new revolving loan facility agreement under which we borrowed US\$150 million for general corporate purposes.

In July 2019, we entered into a new facility agreement under which we can borrow up to SGD150 million (approximately US\$109.4 million) for the purposes of refinancing indebtedness under certain existing loan facilities and financing the Sabana Manager Acquisition and the Sabana REIT Investment.

The table below sets forth our current and non-current total bank loans and other borrowings repayable by maturity as of the dates indicated.

	As of December 31,			As of June 30,	As of August 31,
	2016	2017	2018	2019	2019
	(US\$ in thousands)				
Within one year	75,862	91,706	436,194	630,135	589,536
Over one year	759,403	741,729	1,024,279	2,173,601	2,452,958
Total	835,265	833,435	1,460,473	2,803,736	3,042,494

Our outstanding bank loans and other borrowings are secured as described below. As of June 30, 2019, certain of our completed investment properties and investment properties under construction with a fair value of US\$2,099.8 million, property, plant and equipment with a carry amount of US\$19.7 million, pledged bank deposits amounting to US\$44.7 million, listed equity interests at market value with a fair value of US\$167.7 million and equity interests of our Company and certain subsidiaries were pledged to secure bank loans and other borrowings granted to us. The table below sets forth our outstanding bank loans and other borrowings as of the dates indicated.

	As of December 31,			As of June 30,	As of August 31,
	2016	2017	2018	2019	2019
	(US\$ in thousands)				
Current bank loans and other borrowings:					
Current bank loans—secured	75,862	91,706	138,953	179,080	134,913
Current bank loans—unsecured	—	—	—	151,772	154,869
Other borrowing—secured ⁽¹⁾	—	—	297,241	299,283	299,754
Total current bank loans and other borrowings:	75,862	91,706	436,194	630,135	589,536
Non-current bank loans and other borrowings:					
Non-current bank loans—secured	479,692	443,646	1,005,259	1,501,352	1,610,962
Non-current bank loans—unsecured	—	—	—	99,056	99,111

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	As of December 31,			As of June 30,	As of August 31,
	2016	2017	2018	2019	2019
	(US\$ in thousands)				
Other borrowing—secured	279,711 ⁽¹⁾	298,083 ⁽¹⁾	19,020	19,026	18,648
Other borrowing—unsecured	—	—	—	51,866	52,527
Bond—unsecured	—	—	—	502,301	671,710
Total non-current bank loans and other borrowings:	759,403	741,729	1,024,279	2,173,601	2,452,958
Total	835,265	833,435	1,460,473	2,803,736	3,042,494

Note:

(1) This includes US\$300 million of the Hana Notes. As of December 31, 2018, the Hana Notes were reclassified to current liabilities.

During the Track Record Period and up to August 31, 2019, our bank loans and other borrowings bore fixed and floating interest rates. The table below sets forth the effective interest rates for our outstanding bank loans and other borrowings as of the dates indicated.

	As of December 31,			As of June 30,	As of August 31,
	2016	2017	2018	2019	2019
	(Effective Interest Rate in %)				
Current bank loans and other borrowings:					
Current bank loans—secured ...	2.4-5.32	2.4-6.5	0.5952-6.875	0.5952-6.175	0.5684-5.88
Current bank loans—unsecured	—	—	—	3.6	3.6
Other borrowing—secured	—	—	7.6	7.6	7.6
Non-current bank loans and other borrowings:					
Non-current bank loans—secured	2.4-6.5	1.875-6.875	0.5952-6.875	0.5952-6.7658	0.5684-6.7658
Non-current bank loans—unsecured	—	—	—	5.44	5.27
Other borrowing—secured	7.6	7.6	6.0	9	9
Other borrowing—unsecured ...	—	—	—	10-12	10-12
Bond—unsecured	—	—	—	6.75-7.875	6.75-7.875

As of August 31, 2019, we had approximately US\$85.4 million in unutilized banking facilities and nil proposed facilities supported by letters of intent from the underlying banks.

We are subject to certain restrictive covenants under our bank loan arrangements and other borrowing arrangements. These restrictive covenants include, among other things, negative pledges, interest coverage ratios, leverage covenants, limitations on the incurrence of indebtedness, restrictions on the distributions to shareholders and requirements to provide notice or obtain consent for certain significant corporate events. For example, some of our subsidiaries are subject to covenants that restrict them from distributing dividends, restructuring, transferring material assets, liquidating or changing their shareholding or management structure. In addition, borrowings under certain loan agreements between our subsidiaries and banks or other financial institutions are not allowed to be used for purposes other than the development of the projects specified in the agreements. The Hana Notes also contain notice and repayment provisions that require the repayment of the Hana Notes in connection with an IPO. Moreover, some of the loan agreements that we have entered into contain

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financial covenants that require us and/or our subsidiaries to maintain specified financial ratios. Some of our loan agreements contain cross-default provisions where one technical default on one of our obligations under other agreements will trigger a technical default under such agreements. During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that they are not aware of any breach of any of the covenants contained in our bank loan arrangements and other borrowing arrangements, of any event of default nor are they aware of any restrictions that will limit our ability to drawdown on our unutilized facilities.

We anticipate that we shall seek to obtain further financing to fund our working capital and capital expenditures with bank borrowings and other funds raised from domestic and international capital markets.

Lease Liabilities

As our Group adopted IFRS 16, we recognized total lease liabilities of US\$4.2 million, US\$8.0 million, US\$9.7 million and US\$24.4 million as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively. The increase from US\$9.7 million to US\$24.4 million was primarily attributable to our acquisition of Propertylink. See Note 28 to the Accountants' Report in Appendix I to this Prospectus.

Redeemable Convertible Preference Shares

On December 30, 2016, we issued 245,359,810 Class C Preference Shares to a group of independent third parties for an aggregate consideration of US\$300.0 million. On January 4, 2017, we redeemed 9,814,392 Class C Preference Shares for US\$11.4 million. The Class C Preference Shares have a par value of US\$0.001 per share and carry a coupon rate of 4.5% per annum.

The Class C Preference Shares have been split into liability and equity components. As of December 31, 2016, 2017 and 2018 and June 30, 2019, the outstanding Class C Preference Shares amounted to US\$285.0 million, US\$301.3 million, US\$333.9 million and US\$353.1 million, respectively. US\$246.2 million and US\$264.2 million of the outstanding Class C Preference Shares were recorded as our non-current liabilities as of December 31, 2016 and 2017, respectively, US\$296.8 million and US\$316.0 million of the outstanding Class C Preference Shares was reclassified to and recorded as our current liabilities as of December 31, 2018 and June 30, 2019 and US\$38.8 million, US\$37.1 million, US\$37.1 million and US\$37.1 million of the outstanding Class C Preference Shares were recorded as our equity as of December 31, 2016, 2017 and 2018 and June 30, 2019.

Out of 235,545,418 Class C Preference Shares, we expect (i) 112,865,513 Class C Preference Shares will be redeemed on September 18, 2019; (ii) 49,071,962 Class C Preference Shares will be converted to Class C Shares upon completion of the Global Offering; and (iii) 73,607,943 Class C Preference Shares will be redeemed upon completion of the Global Offering. We shall redeem the Class C Preference Shares that are not converted upon the completion of the Global Offering using part of the proceeds of the Global Offering.

NO OTHER OUTSTANDING INDEBTEDNESS

Save as disclosed in this “—Indebtedness” above, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits,

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debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection therewith as of August 31, 2019, being the latest date for our indebtedness statement.

MAJOR FINANCIAL RATIOS

The following table sets forth the major financial ratios as of, or for, the periods indicated.

	As of or For the Year Ended December 31,			As of or For the Six Months Ended June 30,
	2016	2017	2018	2019
Return on average equity ⁽¹⁾	16.7%	15.7%	10.6%	N/A
Current ratio ⁽²⁾	472.1%	411.7%	101.6%	116.0%
Net gearing ratio ⁽³⁾	16.6%	7.6%	19.8%	30.2%

Notes:

- (1) Return on average equity is calculated using net profit divided by the average of total equity at the beginning and at the end of the year.
- (2) Current ratio is calculated by dividing current assets by current liabilities at the end of each year or period.
- (3) Net gearing ratio is calculated by dividing net debt, defined as total bank loans and other borrowings less cash and bank balances, by total assets at the end of each year or period.

Return on Average Equity

Our return on average equity slightly decreased from 16.7% in 2016 to 15.7% in 2017, as a result of the increased total equity balance primarily resulting from the US\$473.3 million issue of new shares and the US\$98.8 million issue of subordinated perpetual capital securities, while partially offset by the increase in the net profit from US\$104.8 million in 2016 to US\$200.8 million in 2017.

Our return on average equity decreased from 15.7% in 2017 to 10.6% in 2018, as a result of the increased total equity balance primarily resulting from the equity investment from Jingdong Logistics Group Corporation and Montsoreau Investment Limited, while partially offset by the increase in the net profit from US\$200.8 million in 2017 to US\$212.9 million in 2018.

Current Ratio

Our current ratio decreased from 472.1% as of December 31, 2016 to 411.7% as of December 31, 2017, as a result of the increased current liabilities resulting from the increased current portion of bank loans and other borrowings, trade and other payables and income tax payable, while partially offset by the increased current assets resulting from the increased cash and bank balances, trade receivables and prepayments, other receivables and other assets.

Our current ratio decreased from 411.7% as of December 31, 2017 to 101.6% as of December 31, 2018, as a result of the increased current liabilities primarily due to the current portion of redeemable convertible preference shares, an increase in bank loans and other borrowings, an increase in trade payables, accruals and other payables and a decreased cash and bank balances, while partially offset by an increase in trade receivables and an increase in prepayments, other receivables and other assets.

Our current ratio increased from 101.6% as of December 31, 2018 to 116.0% as of June 30, 2019, as a result of the decreased income tax payable and the increased current assets resulting from the increased cash and bank balances, trade receivables and prepayments, other receivables and other

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assets, while partially offset by increased current liabilities resulting from the increased current portion of bank loans, other borrowings, trade and other payables and the current portion of redeemable convertible preference shares.

Net Gearing Ratio

Our net gearing ratio decreased from 16.6% as of December 31, 2016 to 7.6% as of December 31, 2017, due to the increased total equity balance primarily resulting from the US\$473.3 million issue of new shares and the US\$98.8 million issue of subordinated perpetual capital securities and the increased cash and bank balances. Our banks loans and other borrowings as of December 31, 2017 did not change materially as compared to that as of December 31, 2016.

Our net gearing ratio increased from 7.6% as of December 31, 2017 to 19.8% as of December 31, 2018, primarily due to the increased bank loans and other borrowings and decreased cash and bank balances, while partially offset by the increased total equity balance primarily resulting from the US\$361.1 million issue of new shares.

Our net gearing ratio increased from 19.8% as of December 31, 2018 to 30.2% as of June 30, 2019, primarily due to additional bonds and loans to finance the growth of our business as discussed above.

OFF-BALANCE SHEET ARRANGEMENTS

Derivative Financial Instruments

In December 2013 and August 2015, we entered into facility agreements with a third party investor to obtain loans of US\$120.0 million and US\$100.0 million, respectively. In connection with such loans, we issued warrant instruments to such third party investor at a total consideration of US\$70,000 with a call option in respect of our 54,684,608 ordinary shares. Upon issuance and as of December 31, 2015, the warrant instruments were accounted for as financial liabilities measured at fair value through profit or loss. The derivative financial assets arising from the draw-down commitments at a determined interest rate had been recognized in our consolidated statement of profit or loss upon our application of the remaining drawdown in March 2016. In November 2016, we fully repaid the loan. Our Directors are of the view that the derivative component of the instruments, that previously involved an obligation to deliver a variable number of equity instruments, can be determined and become fixed. From the date of such change in circumstances, the derivative component of the instruments was reclassified from financial liability to equity in 2016. In January 2018, the third party investor exercised the written call option in respect of our 54,684,608 ordinary shares. As a result, the warrant instruments no longer constitute off-balance sheet arrangements.

Except as disclosed in this Prospectus, during the Track Record Period, we did not enter into, nor do we expect to enter into, any off-balance sheet arrangements, nor did we enter into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we did not enter into any derivative contracts that were indexed to our equity interests and classified as owners' equity. We did not have any retained or contingent interest in assets transferred to an unconsolidated entity that served as credit, liquidity or market risk support to such entity. We did not have any variable interest in any unconsolidated entity that provided financing, liquidity, market risk or credit support to us or that engaged in leasing or hedging services with us.

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CONTINGENT LIABILITIES

As of August 31, 2019, we did not have significant contingent liabilities.

RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of our key management and their close family member are also considered as related parties. For a discussion of related party transactions, see Note 42 to the Accountants' Report set forth in Appendix I to this Prospectus. Our Directors believe that the related party transactions were carried out on an arm's length basis and will not distort our results during the Track Period or make such results not reflective of our future performance.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our principal financial instruments comprise bank borrowings, trade and other payables, other borrowings, cash and bank balances, trade receivables, financial assets included in prepayments, other receivables and other assets, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, available-for-sale investments, and financial assets included in other non-current assets. The main purpose of these financial instruments is to raise finance for our operations. We have various financial assets such as trade receivables, cash and short-term deposits, which arose directly from our operations. The main risks faced by us are interest rate risk, foreign currency risk, credit risk and liquidity risk. We do not hold or issue derivative financial instruments either for hedging or for trading purposes. Our Directors reviews and agrees policies for managing each of the risks which are summarized below:

Interest Rate Risk

Our exposure to the risk of changes in interest rates relates primarily to our interest-bearing bank loans and other borrowings. We do not use derivative financial instruments to manage our interest rate risk.

The following table demonstrates the sensitivity to reasonably possible changes in interest rates, with all other variables held constant, of our profit before tax (mainly the impact on floating rate borrowings). Our equity is not affected, other than the consequential effect on the accumulated losses of the changes in profit before tax as disclosed below.

	Increase/(Decrease) in Basis Points	(Decrease)/Increase in Profit Before Tax (US\$ in thousands)
For the year ended/as of December 31, 2016	100/(100)	(4,421)/4,421
For the year ended/as of December 31, 2017	100/(100)	(5,352)/5,352
For the year ended/as of December 31, 2018	100/(100)	(4,548)/4,548
For the six months ended/as of June 30, 2019	100/(100)	(5,771)/5,771

Foreign Currency Risk

During the years ended December 31, 2016, 2017 and 2018 and for the six months ended June 30, 2018 and 2019, we had monetary assets and liabilities, which were denominated in foreign

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currencies, and were exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, which are denominated in a currency that is not the functional currency of the relevant entities. We have not hedged our foreign exchange rate risk. In addition, our conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC Government.

The following table details our sensitivity to a 1% increase and decrease in the relevant foreign currencies against the functional currency. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates.

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2016	2017	2018	2019
	(US\$ in thousands)			
Increase/(decrease) in profit before tax:				
if US\$ weakens against RMB	(3,418)	965	997	(1,771)
if US\$ strengthens against RMB	3,418	(965)	(997)	1,771
if US\$ weakens against JPY	126	1,544	(2,008)	(2,629)
if US\$ strengthens against JPY	(126)	(1,544)	2,008	2,629
if USD weakens against SGD	—	—	—	(2,426)
if USD strengthens against SGD	—	—	—	2,426
if USD weakens against AUD	—	—	—	6,461
if USD strengthens against AUD	—	—	—	(6,461)

Credit Risk

Prior to our adoption of IFRS 9 on January 1, 2019, we traded only with recognized and creditworthy third parties. It was our policy that all customers who wished to trade on credit terms were subject to credit verification procedures. Credit risk arose from cash and bank balances, trade receivables and other receivables, the balances of which represented the maximum credit risk exposure to us.

After our adoption of IFRS 9 on January 1, 2019, we have assessed and have found no concentration of credit risk from third party debtors. The carrying amounts of restricted cash, cash and cash equivalents, financial assets included in prepayments, other receivables and other assets in the consolidated statements of financial position represent our maximum exposure to credit risk in relation to our financial assets. We deposited all cash and bank balances in high-credit-quality financial institutions without significant credit risk.

We have established a policy to perform an assessment on December 31, 2018, of whether financial instruments' credit risk has increased significantly since initial recognition, by considering other receivables in two stages, such that in stage 1, when other receivables are first recognized, we record an allowance based on 12 months' expected credit loss; and stage 2, when other receivables have shown a significant increase in credit risk since origination, we record an allowance for the lifetime expected credit loss. Our management also regularly reviews the recoverability of these receivables and follow up the dispute or amount overdue, if any. Our management is of the opinion that the risk of default by counterparties is low. We consider the probability of default upon initial

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recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, we compare the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. We consider available reasonable and supporting forwarding-looking information.

We apply the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The expected loss allowance provision for these balances was not material during period of assessment. As of December 31, 2018 and June 30, 2019, the credit rating of other receivables were performing. We assessed that the expected credit losses for other receivables were not material under the 12 months expected losses methods. Thus, no loss allowance provision was recognized during the year ended December 31, 2018 and six months ended June 30, 2019.

Liquidity Risk

Our policy is to maintain sufficient cash and cash equivalents or to have available funding through the use of bank loans, debentures and other borrowings to meet our commitments over the foreseeable future in accordance with its strategic plan.

The table below sets forth the maturity profile of our financial liabilities as of the end of the reporting period, based on the contractual undiscounted payments.

	<u>Less than 1 Year</u>	<u>1 to 5 Years</u>	<u>Over 5 Years</u>	<u>Total</u>
	(US\$ in thousands)			
December 31, 2016				
Interest bearing bank and other borrowings	117,991	578,298	203,992	900,281
Redeemable convertible preference shares	13,574	306,438	—	320,012
Trade and other payables	21,970	—	—	21,970
Lease liabilities	1,415	3,123	—	4,538
Financial liabilities at fair value through profit or loss	—	—	12,592	12,592
Other non-current liabilities	—	—	10,662	10,662
Total	<u>154,950</u>	<u>887,859</u>	<u>227,246</u>	<u>1,270,055</u>
December 31, 2017				
Interest bearing bank and other borrowings	106,089	639,879	181,717	927,685
Redeemable convertible preference shares	13,648	309,121	—	322,769
Trade and other payables	66,939	—	—	66,939
Lease liabilities	2,610	5,424	796	8,830
Financial liabilities at fair value through profit or loss	—	—	13,671	13,671
Other non-current liabilities	—	—	22,196	22,196
Total	<u>189,286</u>	<u>954,424</u>	<u>218,380</u>	<u>1,362,090</u>
December 31, 2018				
Interest bearing bank and other borrowings	505,154	931,709	248,482	1,685,345
Redeemable convertible preference shares	283,925	—	—	283,925
Trade and other payables	92,102	—	—	92,102
Lease liabilities	3,774	4,755	2,807	11,336
Other non-current liabilities	—	—	35,766	35,766
Total	<u>884,955</u>	<u>936,464</u>	<u>287,055</u>	<u>2,108,474</u>

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	<u>Less than 1 Year</u>	<u>1 to 5 Years</u>	<u>Over 5 Years</u>	<u>Total</u>
	(US\$ in thousands)			
June 30, 2019				
Interest bearing bank and other borrowings	756,789	2,231,129	185,688	3,173,606
Redeemable convertible preference shares	316,010	—	—	316,010
Trade and other payables	106,311	—	—	106,311
Lease liabilities	5,806	15,108	71,187	92,101
Other non-current liabilities	—	—	40,925	40,925
Total	<u>1,184,916</u>	<u>2,246,237</u>	<u>297,800</u>	<u>3,728,953</u>

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. We are exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through profit or loss, financial assets at fair value through comprehensive income and available-for-sale investments as of December 31, 2016, 2017 and 2018 and June 30, 2019. Our listed investments are listed on the Hong Kong Stock Exchange, the Stock Exchange of Singapore and Australian Stock Exchange and are valued at quoted market prices at the end of each 2016, 2017 and 2018 and as of June 30, 2019.

DIVIDENDS

We are a holding company incorporated under the laws of the Cayman Islands. Subject to the Cayman Companies Law and our Articles of Association, the Directors may from time to time declare dividends (including interim dividends) and other distributions on Shares in issue and authorize payment of the same out of the funds lawfully available therefor, including out of profits and from our share premium account, at their discretion; we, by ordinary resolution, may declare dividends, but no dividend shall exceed the amount recommended by the Directors; and the payment of any dividend or other distribution in specie shall be subject to the Directors' approval and Shareholders' approval by ordinary resolution.

We paid a distribution of US\$4.1 million, US\$8.2 million and US\$4.1 million to holders of subordinated perpetual capital securities in 2017 and 2018 and for the six months ended June 30, 2019, respectively. We did not declare or distribute any dividend to our Shareholders during the Track Record Period. We currently intend to retain most, if not all, of our available funds to operate and expand our business. Following the completion of the Global Offering, we have no immediate plan to pay any dividends to our Shareholders. However, the Board will review our dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid: our result of operations, our cash flows, our financial condition, our Shareholders' interests, our capital requirements, the payment by our subsidiaries of cash dividends to us, general business conditions and strategies, the economic climate and other factors the Board may deem relevant. Our future dividend payments to our Shareholders will also depend upon the availability of dividends received from our subsidiaries and the statutory fund reserve requirements in the jurisdiction of our subsidiaries. For example, PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles. PRC laws also require PRC enterprises to set aside part of their net profit as statutory reserves before they make a distribution. These statutory reserves are not available for distribution as cash dividends. The payment of dividends may also be limited by legal restrictions and by financing agreements that are existing and that we may enter into in the future. There can be no assurance that dividends of any amount will be declared or distributed in any year.

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DISTRIBUTABLE RESERVES

As of December 31, 2016, 2017 and 2018 and for the six months ended June 30, 2019, our Company had reserves available for distribution to our members of US\$495.0 million, US\$871.3 million, US\$1,217.4 million and US\$1,139.3 million, respectively. The Companies Law provides that the share premium account of a company incorporated in the Cayman Islands, such as our Company, may be applied in such manner as it may from time to time determine, subject to the provisions, if any, of its memorandum and articles of association, provided that no distribution or dividend may be paid to its members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, such company shall be able to pay its debts as they fall due in the ordinary course of business.

PROPERTY VALUATION

Beijing Colliers International Real Estate Valuation Co., Ltd., Cushman & Wakefield K.K. and Jones Lang LaSalle Corporate Appraisal and Advisory Limited, and CBRE Limited have valued investment properties we hold directly in the PRC, Japan and Australia at RMB10,189.0 million (approximately US\$1,458.0 million), JPY89,320.4 million (approximately US\$830.7 million) and AUD326.8 million (approximately US\$221.9 million), respectively, as of September 30, 2019. The text of their respective letters, summaries of valuation and the valuation certificates are set forth in Appendix VI to this Prospectus.

The statement below shows the reconciliation of aggregate amounts of certain properties as reflected in our audited consolidated financial statements as of June 30, 2019 as set forth in “Accountants’ Report” in Appendix I to this Prospectus with the valuation of these properties as of September 30, 2019 as set forth in the section headed “Property Valuation” in Appendix VI to this Prospectus.

	Investment Properties in the PRC		Investment Properties in Japan		Investment Properties in Australia	
	(RMB in millions)	(US\$ in millions)	(JPY in millions)	(US\$ in millions)	(AUD in millions)	(US\$ in millions)
Fair value as of June 30, 2019 (audited) . . .	9,167.0	1,333.1	67,710.4	630.4	316.9	222.8
Additions	639.4	91.5	9,744.0	90.6	—	—
Net gains from fair value adjustments	382.6	54.8	11,866.0	111.4	9.9	6.7
Exchange realignment	—	(21.4)	—	(1.7)	—	(7.6)
Fair value as of September 30, 2019 set forth in the valuation reports	<u>10,189.0</u>	<u>1,458.0</u>	<u>89,320.4</u>	<u>830.7</u>	<u>326.8</u>	<u>221.9</u>

LISTING EXPENSES

Our listing expenses in connection with the Global Offering consist primarily of underwriting commission, incentive fees and professional fees, and are estimated to be approximately US\$36.7 million (assuming that the Global Offering is conducted at the mid-point of the Offer Price range). During the Track Record Period, we incurred listing expenses of US\$10.1 million, of which US\$8.0 million was charged to our consolidated statements of comprehensive income during the Track Record Period, while the remaining amount of US\$2.1 million was included in prepayments and will be subsequently charged to equity upon completion of the Global Offering. We estimate that underwriting commission, incentive fees and other listing expenses of approximately US\$26.6 million will be incurred after June 30, 2019, of which approximately US\$12.2 million will be charged to the

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consolidated statements of comprehensive income and US\$14.4 million will be charged to equity upon completion of the Global Offering.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of the Prospectus, there has been no material adverse change in our financial and trading position or prospects since June 30, 2019, save as disclosed in the section headed “Summary—Recent Developments” in this Prospectus, and there has been no event since June 30, 2019 which would materially affect the information shown in the Accountants’ Report, the text of which is set out in Appendix I to this Prospectus.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on our consolidated net tangible assets attributable to the shareholders as of June 30, 2019 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets had the Global Offering been completed as of June 30, 2019 or at any future dates.

	Unadjusted Audited Consolidated Net Tangible Assets of our Group Attributable to the Owners of the Company as of June 30, 2019 ⁽¹⁾	Estimated Net Proceeds from the Global Offering ⁽²⁾	Estimated Impact Related to the Conversion of Class C Preference Shares Immediately Prior to the Completion of the Global Offering ⁽³⁾	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets of our Group Attributable to the Owners of the Company	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets Per Share ⁽⁴⁾⁽⁵⁾	
	(US\$ in thousands)	(US\$ in thousands)	(US\$ in thousands)	(US\$ in thousands)	(US\$)	(HK\$)
Based on an Offer						
Price of HK\$14.58						
per Offer Share,						
after Downward						
Offer Price						
Adjustment of						
10%	2,001,941	493,633	65,835	2,561,409	0.84	6.62
Based on an Offer						
Price of HK\$16.20						
per Share	2,001,941	550,327	65,835	2,618,103	0.86	6.76
Based on an Offer						
Price of HK\$17.40						
per Share	2,001,941	592,323	65,835	2,660,099	0.88	6.87

Notes:

- (1) The unadjusted audited consolidated net tangible assets of our Group attributable to the owners of the Company as of June 30, 2019 is extracted from the Accountants’ Report set out in Appendix I to this Prospectus, which is based on the audited consolidated net assets of our Group attributable to the owners of the Company as of June 30, 2019 of approximately US\$2,438.9 million with an adjustment for the intangible assets of US\$96.7 million and goodwill of US\$340.2 million as of June 30, 2019.

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- (2) The estimated net proceeds to be received by the Company from the Global Offering are based on the indicative Offer Price of HK\$16.20 and HK\$17.40 per Share, and also based on an Offer Price of HK\$14.58 per Offer Share after making a Downward Offer Price Adjustment of 10%, after deduction of the underwriting fees and other related expenses payable by the Company (excluding listing expenses of approximately US\$8.0 million, which have been accounted for in the consolidated statement of comprehensive income prior to June 30, 2019) and assuming that all of the steps contained in the IPO Implementation Deed which are contemplated to take effect prior to the Global Offering have been effected as described in the section headed “History, Development and Corporate Structure—IPO Implementation Arrangements” in this Prospectus and assuming solely for the purposes of calculating the number of Shares in issue, that the Listing Date is Friday, November 1, 2019. The calculation of net proceeds mentioned in the section headed “Future Plans and Use of Proceeds” in this Prospectus represents the estimated gross proceeds less all listing expenses (including such amounts already incurred in 2018 and 2019).
- (3) Immediately prior to the completion of the Global Offering, 49,071,962 of the Class C Preference Shares will be converted into Class C Shares, after which the carrying amounts of the US\$65.8 million recorded as a liability of the Company will be transferred to the Company’s equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible assets attributable to the owners of the Company will be increased by US\$65.8 million, being the carrying amounts of such Class C Preference Shares as of June 30, 2019.
- (4) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 3,036,243,839 Shares, 3,036,901,934 Shares and 3,035,183,478 Shares were in issue (including 280,140,000 New Shares) based on an Offer Price of HK\$16.20 per Share, HK\$17.40 per Share or HK\$14.58 per Share, being the final Offer Price under the Downward Offer Price Adjustment, respectively, and assuming that all of the steps contained in the IPO Implementation Deed which are contemplated to take effect pursuant to such agreement have been effected as described in the section headed “History, Development and Corporate Structure—IPO Implementation Arrangements” in this Prospectus and assuming solely for the purposes of calculating the number of Shares in issue, that the Listing Date is Friday, November 1, 2019.
- (5) Save as aforesaid, no adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of our Group entered into subsequently to June 30, 2019.

DISCLOSURE UNDER THE LISTING RULES

Our Directors confirmed that, except as otherwise disclosed in this Prospectus, as of the Latest Practicable Date, there has been no circumstance which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FINANCIAL INFORMATION OF PROPERTYLINK

The Propertylink Acquisition

Propertylink became our non-wholly-owned subsidiary on March 20, 2019, prior to the completion of our acquisition of 100% of the securities of Propertylink in April 2019, which falls within the Track Record Period. Based on the historical financial information of Propertylink, such acquisition has triggered the disclosure thresholds under Rule 4.05A of the Listing Rules. Therefore, we have included the pre-acquisition financial information of Propertylink for the fiscal years ended June 30, 2016, 2017 and 2018, which are publically available on the ASX, and for the period from July 1, 2018 to March 20, 2019, being the date on which Propertylink was consolidated into our Group, accompanied by the unaudited comparative consolidated statement of profit or loss and other comprehensive income for the period from July 1, 2017 to March 31, 2018. See Appendices II-A and II-B to this Prospectus. We have also included in this sub-section a discussion and analysis of the financial information of Propertylink, subject to the following paragraphs:

- (i) Three entities, Propertylink (Holdings) Limited (“**PHL**”), Propertylink Trust (“**PT**”) and Propertylink Australian Industrial Partnership (“**PAIP**”), together with their respective subsidiaries, were stapled to form Propertylink during the completion of its initial public offering on August 15, 2016 and listing on the ASX. Prior to the completion of the initial public offering of Propertylink in August 2016, PT and PHL were unlisted stapled securities, and PAIP was an unrelated legal entity of which the units were not stapled to the units in PT and the shares in PHL. PAIP paid management fees to PHL during the year ended June 30, 2016 but PAIP was not consolidated into the unlisted stapled group of PHL

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and PT for that year. Until December 31, 2015, PAIP was a private investment fund with a December 31 financial year end and was not required to lodge any accounts with an Australian regulatory authority. As part of Propertylink's listing process, PAIP published its audited accounts for the six months ended June 30, 2016 on the ASX pursuant to the ASX's requirements. Therefore, no consolidated financial statements were published for the enlarged group of Propertylink comprising PHL, PT and PAIP for the year ended June 30, 2016, and only separate audited financial statements for (i) PHL and PT for the year ended June 30, 2016 and (ii) PAIP for the six months ended June 30, 2016 were available;

- (ii) The financial statements of Propertylink for the year ended June 30, 2017 include profits generated by the unlisted stapled PHL and PT from July 1, 2016 to August 15, 2016, and profits generated by the listed stapled group of Propertylink from August 16, 2016 to June 30, 2017. The profits of the unlisted PHL and PT up to August 15, 2016 included management fees paid by PAIP prior to completion of Propertylink's initial public offering in August 2016. The financial statements of Propertylink for the year ended June 30, 2017 include comparative figures for the year ended June 30, 2016. However, the financial statements of Propertylink for the year ended June 30, 2017 comprised the financial results of PHL, PT and PAIP whereas the comparative financial information for the year ended June 30, 2016 only included the financial results of PHL and PT. As such, the comparative information between these two years is not directly comparable and does not provide a basis for meaningful comparison. Therefore, we have not included any commentary comparing the financial information of Propertylink between these two years; and
- (iii) The financial statements of Propertylink for the year ended June 30, 2018 include comparative figures for the year ended June 30, 2017. As explained above, such comparative figures for the year ended June 30, 2017 only reflect the contribution of PAIP for 10.5 months.

For more details of Propertylink's pre-acquisition financial information, see the financial statements of PAIP for the period from January 1, 2016 to June 30, 2016, the financial statements of PHL and PT for the year ended June 30, 2016, the financial statements of Propertylink for the years ended June 30, 2017 and 2018, the financial statements of Propertylink for the period from July 1, 2018 to March 20, 2019 and the unaudited consolidated statement of profit or loss and other comprehensive income for the period from July 1, 2017 to March 31, 2018 set out in Appendices II-A and II-B to this Prospectus.

The inclusion of this sub-section and the pre-acquisition financial information of Propertylink is to provide potential investors with a high level discussion of the results of operations of Propertylink for the stated periods only. Potential investors are cautioned not to unduly rely on the information contained in this sub-section and the pre-acquisition financial information of Propertylink, as we did not control or direct the business or management of Propertylink during those periods. We cannot assure you that we will maintain the same or similar growth and profitability of Propertylink as it had achieved prior to its consolidation with our Group in March 2019. Furthermore, the pre-acquisition financial information of Propertylink does not represent our Group's consolidated results during those periods or indicate our Group's future performance.

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Events after Balance Sheet Date

De-stapling of PHL, PT and PAIP and Internal Restructuring

The following events occurred or may occur after March 20, 2019, being the latest balance sheet date of Propertylink's financial statements for the period from July 1, 2018 to March 20, 2019.

Following our acquisition, Propertylink was removed from the official list of the ASX on April 26, 2019. The three entities that comprised Propertylink were de-stapled on May 30, 2019.

Following our acquisition, we have caused Propertylink to undergo a series of restructurings in order to integrate our Australian platform, streamline our group structure and prepare us for potential recycling of assets of Propertylink to new funds and investment vehicles managed by us, which is consistent with our overall strategy. As a result, PHL has become a subsidiary of our Australian management company, and PT and PAIP have become subsidiaries of the respective Australian investment entities within our Group. We have refinanced secured loans of PAIP in order to align with our Group's strategy for financing our Australian operations.

As of March 20, 2019, being the date on which Propertylink was consolidated into our Group, Propertylink managed 58 industrial and office properties, including assets managed under its co-invested external funds as well as assets held under its wholly-owned industrial portfolio. The majority of these assets were fully developed as Propertylink was not heavily engaged in development. In line with our capital recycling strategy, we are planning various options including owning and managing certain assets within our Group, as well as transferring certain assets into new funds and investment vehicles managed by us. Currently, we cannot assure you that we will be able to complete such transfers in the near future.

Description of Major Components of the Consolidated Statement of Profit or Loss and Other Comprehensive Income of Propertylink

Revenue

Revenue includes property revenue, management fee revenue and share of net profit of joint ventures generated by Propertylink.

Property revenue

Property revenue includes rental income, outgoings recovery income, straight-lining lease incentives and make good recovery. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss. Initial direct costs incurred in negotiating and arranging an operating lease are capitalized, then recognized as an expense over the lease term on the same basis as the lease income.

Management fee revenue

Management fee revenue includes performance fees, acquisition fees, investment management fees, property management fees and other property services fees, which are recognized as follows:

- (i) performance fees are generally only entitled to be charged on the sale of all assets of a fund, so such fees are only recognized when all assets of a particular fund have been sold and Propertylink is entitled to charge fees;

FINANCIAL INFORMATION

- (ii) acquisition and other transaction related fees are recognized when the service has been provided and Propertylink is entitled to charge fees; and
- (iii) investment and property management services are provided on a monthly basis and revenue is recognized each month.

Share of net profit of joint ventures

Propertylink's share of net profit of joint ventures represents primarily the share of profits of its material joint ventures, which are controlled jointly with external investors, less its share of losses, if any, of these joint ventures, adjusted where necessary to reflect any differences in accounting policies between Propertylink and the investees. These joint ventures were formed in Australia and their principal activity is property investment in Australia. See Note 11(b) to each of Propertylink's financial statements for the years ended June 30, 2017 and June 30, 2018 set out in Appendices II-A and II-B to this Prospectus.

Other income

Other income primarily includes net fair value gain on investment property.

Net fair value gain on investment property

Investment property comprises completed property and property under construction or re-development (including integral plant and equipment) that are held to earn rentals and for capital appreciation.

Investment property is measured initially at cost, including transaction costs. The carrying amount also includes capital expenditure on investment property and components relating to lease incentives and assets relating to fixed increases in operating lease rentals in future periods.

Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Expenses

The expenses of Propertylink consist primarily of property expenses, employment and management costs, finance costs, occupancy costs, travel expenses, legal and consultancy fees, depreciation and amortization expenses, and administration and other expenses.

Period-to-Period Comparison of Results of Operations of Propertylink

Period from July 1, 2018 to March 20, 2019 Compared to Period from July 1, 2017 to March 31, 2018

During the period from July 1, 2018 to March 20, 2019, Propertylink engaged in corporate activities which initially involved launching a bid to acquire Centuria, the initial phase of which resulted in the acquisition of approximately 17.7% of the entity. We then launched our own bid to acquire Propertylink, which was ultimately successful. The costs associated with these corporate activities were AUD16.8 million (approximately US\$11.4 million). Propertylink's total comprehensive

FINANCIAL INFORMATION

income decreased by 37.1% from AUD92.9 million (approximately US\$63.2 million) for the period ended March 31, 2018 to AUD58.4 million (approximately US\$39.8 million) for the period ended March 20, 2019.

Revenue

Property revenue

Property revenue decreased by 1.5% from AUD47.6 million (approximately US\$32.4 million) for the period ended March 31, 2018 to AUD46.9 million (approximately US\$31.9 million) for the period ended March 20, 2019. While the periods are closely comparable, the period ended March 20, 2019 spanned 263 days, or 4.0% lower than the period ended March 31, 2018, a period of 274 days.

Management fee revenue

Management fee revenue decreased by 61.3% from AUD29.3 million (approximately US\$19.9 million) for the period ended March 31, 2018 to AUD11.3 million (approximately US\$7.7 million) for the period ended March 20, 2019, primarily due to a decrease in performance fees (which are transactional in nature) from AUD22.3 million (approximately US\$15.2 million) for the period ended March 31, 2018 to AUD3.7 million (approximately US\$2.5 million) for the period ended March 20, 2019.

Share of net profit of joint ventures

Share of net profit of joint ventures of Propertylink decreased marginally by 1.0% from AUD15.9 million (approximately US\$10.9 million) for the period ended March 31, 2018 to AUD15.8 million (approximately US\$10.8 million) for the period ended March 20, 2019.

Other income

Net fair value gain on investment property

Net fair value gain on investment property decreased by 6.1% from AUD28.4 million (approximately US\$19.3 million) for the period ended March 31, 2018 to AUD26.7 million (approximately US\$18.1 million) for the period ended March 20, 2019 due to minor fluctuations in property valuations.

Listed entity distributions

The period ended March 20, 2019 recorded AUD5.9 million (approximately US\$4.0 million) in distributions received or accrued from the investment in Centuria.

Expenses

Expenses increased by 54.6% from AUD34.4 million (approximately US\$23.4 million) for the period ended March 31, 2018 to AUD53.3 million (approximately US\$36.2 million) for the period ended March 20, 2019. This increase was largely attributable to (i) the incurrence of AUD16.8 (approximately US\$11.4 million) million in one-off corporate activity costs and (ii) increased finance costs of AUD7.0 million (approximately US\$4.7 million). The above increase was partly offset by (i) a decrease in property expenses (largely due to the change in accounting treatment of leased assets in the period ended March 20, 2019) and (ii) the reduction in employment costs of AUD1.4 million (approximately US\$1.0 million) due to reduced bonus payments.

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Profit before income tax

As a result of the foregoing, profit before income tax decreased by 36.8% from AUD87.1 million (approximately US\$59.3 million) for the period ended March 31, 2018 to AUD55.0 million (approximately US\$37.4 million) for the period ended March 20, 2019.

Year Ended June 30, 2018 Compared to Year Ended June 30, 2017

Significant events in the year ended June 30, 2018 include the sale of 320 Pitt Street which resulted in a significant performance fee, increased co-investments, and the acquisition of 18-20 Orion Road, Lane Cove (the “**Lane Cove Property**”). Propertylink’s total comprehensive income increased by 63.8% from AUD87.2 million for the year ended June 30, 2017 to AUD142.8 million (approximately US\$97.2 million) for the year ended June 30, 2018.

Revenue

Property revenue

Property revenue increased by 13.5% from AUD57.4 million for the year ended June 30, 2017 to AUD65.1 million (approximately US\$44.3 million) for the year ended June 30, 2018, primarily driven by (i) an increase in rental income in 2018 due to the acquisition the Lane Cove Property and the increases in tenant occupancy and rental rates; and (ii) the recording of full-year rental income for the year ended June 30, 2018 as compared to the recording of rental income for a period of 10.5 months for the year ended June 30, 2017.

Management fee revenue

Management fee revenue decreased by 15.3% from AUD37.2 million for the year ended June 30, 2017 to AUD31.5 million (approximately US\$21.4 million) for the year ended June 30, 2018, primarily due to (i) a decrease in performance fees, which are transactional in nature, from AUD25.2 million for the year ended June 30, 2017 to AUD22.3 million (approximately US\$15.2 million) for the year ended June 30, 2018; and (ii) a decrease in property acquisition fees from AUD2.7 million for the year ended June 30, 2017 to AUD0.7 million (approximately US\$0.5 million) for the year ended June 30, 2018 driven by fewer property acquisitions in the external funds managed by Propertylink.

Share of net profit of joint ventures

Share of net profit of joint ventures of Propertylink increased by 132.0% from AUD8.5 million for the year ended June 30, 2017 to AUD19.8 million (approximately US\$13.5 million) for the year ended June 30, 2018, partly due to increased co-investments and partly to higher share of valuation uplifts.

Other income

Net fair value gain on investment property

Net fair value gain on investment property increased by 108.0% from AUD27.8 million for the year ended June 30, 2017 to AUD57.9 million (approximately US\$39.4 million) for the year ended June 30, 2018, due to the increase in the valuations of the existing investment properties driven by capital expenditure on property improvements, increased occupancy rates, higher rental rate growth and compression in capitalization rates.

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Expenses

Expenses decreased by 19.9% from AUD57.8 million for the year ended June 30, 2017, which was mainly attributable to the incurrence of one-off expenses of AUD16.9 million in connection with Propertylink's initial public offering in August 2016, to AUD46.3 million (approximately US\$31.5 million) for the year ended June 30, 2018. The above decrease was offset by (i) an increase in property expenses for the year ended June 30, 2018 primarily attributable to the recording of full-year property expenses for the year ended June 30, 2018 as compared to the recording of 10.5-month property expenses for the year ended June 30, 2017 and (ii) the incurrence of employment costs of AUD1.5 million (approximately US\$1.0 million) for outperformance bonuses under Propertylink's short term incentive plan.

Profit before income tax

As a result of the foregoing, profit before income tax increased by 62.6% from AUD79.2 million for the year ended June 30, 2017 to AUD128.7 million (approximately US\$87.6 million) for the year ended June 30, 2018.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business—Competitive Strengths and Strategies—Strategies” in this Prospectus for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK\$16.80 per Offer Share (being the mid-point of the stated range of the Offer Price of between HK\$16.20 and HK\$17.40 per Offer Share) and regardless of whether the Offer Size Adjustment Option and Over-allotment Option are exercised, we estimate that we will receive net proceeds of approximately HK\$4,418.8 million (approximately US\$563.3 million) from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering. We intend to use the net proceeds from the Global Offering for the following purposes and in the amounts set out below, subject to changes in light of our evolving business needs and changing market conditions:

- approximately 71.7%, or HK\$3,168.2 million (approximately US\$403.9 million), for the repayment of the Hana Notes that were issued in November 2016 and redemption of the Class C Preference Shares that were issued in December 2016 and that have not been converted into ordinary shares. Of this amount, HK\$2,353.2 million (approximately US\$300.0 million) will be used for the repayment of the Hana Notes, and HK\$815.0 million (approximately US\$103.9 million) will be used for the redemption of the Class C Preference Shares. See the sections headed “Financial Information—Indebtedness—Bank Loans and Other Borrowings” and “—Redeemable Convertible Preference Shares” in this Prospectus for further details; and
- approximately 28.3%, or HK\$1,250.6 million (approximately US\$159.4 million), for the development of logistics properties on our own balance sheet and making co-investments in the funds and investment vehicles we manage.

After deducting the underwriting fees, commissions and estimated expenses payable by us in relation to the Global Offering, we estimate that we will receive net proceeds of approximately HK\$4,583.5 million (approximately US\$584.3 million) from the Global Offering, assuming the Offer Price is determined to be HK\$17.40 per Offer Share, being the high-end of the indicative Offer Price range stated in this Prospectus and approximately HK\$4,254.1 million (approximately US\$542.3 million), assuming the Offer Price is determined to be HK\$16.20 per Offer Share, being the low-end of the indicative Offer Price range stated in this Prospectus. If we make a Downward Offer Price Adjustment to set the final Offer Price of HK\$14.58 per Offer Share, the net proceeds we will receive from the Global Offering will be approximately HK\$3,809.4 million (approximately US\$485.6 million).

To the extent that our actual net proceeds from the Global Offering is higher or lower than our estimate above, we will increase or decrease our allocation of the net proceeds for the purposes set out above after the repayment of the Hana Notes and the redemption of the Class C Preference Shares that are not converted.

To the extent that the net proceeds of the Global Offering we receive are not immediately used for the purposes above, we may allocate part or all of the proceeds to short-term interest-bearing

FUTURE PLANS AND USE OF PROCEEDS

deposits or money-market instruments with licensed banks or authorized financial institutions in Hong Kong.

We will issue announcements, where required, if there is any material change in the use of proceeds mentioned above.

Selling Shareholder Proceeds

We will not receive any proceeds from the sale of the Sale Shares (including the proceeds of any Sale Shares sold pursuant to the exercise of the Offer Size Adjustment Option or the exercise of the Over-allotment Option).

Assuming the Offer Price of HK\$16.80 per Offer Share, being the midpoint of the indicative Offer Price range, and after deducting the underwriting fees and commissions payable by the Selling Shareholders in relation to the Global Offering, we estimate that the Selling Shareholders will receive net proceeds of approximately HK\$6,149.5 million (approximately US\$784.0 million) assuming no exercise of the Offer Size Adjustment Option or the Over-allotment Option; HK\$7,763.7 million (approximately US\$989.7 million) assuming no exercise of the Offer Size Adjustment Option and the Over-allotment Option is exercised in full; HK\$7,763.7 million (approximately US\$989.7 million) assuming the Offer Size Adjustment Option is exercised in full and the Over-allotment Option is not exercised; HK\$9,620.0 million (approximately US\$1,226.4 million) assuming the Offer Size Adjustment Option and Over-allotment Option are both exercised in full. If we make a Downward Offer Price Adjustment to set the Final Offer Price of HK\$14.58 per Offer Share, we estimate that the Selling Shareholders will receive net proceeds of HK\$5,336.9 million (approximately US\$680.4 million) assuming the Over-allotment Option is not exercised and HK\$6,737.8 million (approximately US\$859.0 million) assuming the Over-allotment Option is exercised in full.

THE CORNERSTONE PLACING

We entered into a cornerstone investment agreement with OMERS Administration Corporation (“**OMERS**”) as cornerstone investor (the “**Cornerstone Investor**”), pursuant to which the Cornerstone Investor has agreed to subscribe for, at the Offer Price, such number of Offer Shares which upon completion of the Global Offering will represent nine (9) per cent of our share capital (regardless of whether the Offer Size Adjustment Option and/or the Over-allotment Option are exercised), rounded down to the nearest whole board lot (the “**Cornerstone Placing**”).

Founded in 1962, OMERS is one of Canada’s largest defined benefit pension plans, with more than C\$97 billion in net assets as at December 31, 2018. A jointly-sponsored pension plan, with approximately 1,000 participating employers, OMERS invests and administers pensions on behalf of almost half a million active and retired members. OMERS members include union and non-union employees of municipalities, school boards, transit systems, electrical utilities, emergency services and children’s aid societies across Ontario. Contributions are funded equally by members and employers. OMERS has employees in Toronto, London, New York, Amsterdam, Luxembourg, Singapore, Sydney and other major cities across North America and Europe, originating and managing a diversified portfolio of high-quality investments in public markets, private equity, infrastructure and real estate.

The Cornerstone Placing is part of OMERS strategy to continue investing in a growing region that offers opportunities across the asset classes where it is active. Our Company hopes that the investment of the Cornerstone Investor will be the start of a larger collaboration with OMERS and its affiliates. Our Company believes that the commitment of the Cornerstone Investor to the Cornerstone Placing will demonstrate to potential investors confidence in our business and prospects from leading international investors.

The subscription amount for the Cornerstone Placing, regardless of whether the Offer Size Adjustment Option and/or the Over-allotment Option are exercised or not, are as follows:

	Assuming an Offer Price of HKD14.58 per Offer Share, being the minimum Offer Price after exercising the Downward Offer Price Adjustment	Assuming an Offer Price of HKD16.20 per Offer Share, being the low-end of the Offer Price Range	Assuming an Offer Price of HKD16.80 per Offer Share, being the mid-point of the Offer Price Range	Assuming an Offer Price of HKD17.40 per Offer Share, being the high-end of the Offer Price Range
Subscription amount	HK\$3,984,606,108	HK\$4,427,340,120	HK\$4,591,315,680	HK\$4,755,291,240

The Cornerstone Placing will form part of the International Placing and the Cornerstone Investor will not subscribe for any Offer Shares under the Global Offering (other than and pursuant to the cornerstone investment agreement). The Offer Shares to be subscribed for by the Cornerstone Investor will rank pari passu in all respects with the other fully paid Shares in issue upon completion of the Global Offering and will be counted towards the public float of the Company. Immediately following the completion of the Global Offering, the Cornerstone Investor will not have any board representation in the Company, nor will it become a substantial shareholder of the Company (as defined under the Listing Rules). The Cornerstone Investor is a corporation without share capital, established under legislation of the Province of Ontario, Canada, and does not have any shareholders. The Cornerstone Investor confirmed that it has obtained all necessary approvals to invest in our Company, and it expects to fund the consideration for the Cornerstone Placing with its internal resources.

CORNERSTONE INVESTOR

The Offer Shares to be subscribed for by the Cornerstone Investor will not be affected by any reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed “Structure of the Global Offering—The Hong Kong Public Offering” in this Prospectus. Pursuant to the terms of the cornerstone investment agreement, the Cornerstone Investor will not be able to defer settlement in payment and there will not be delayed delivery of Offer Shares subscribed by the Cornerstone Investor under the Cornerstone Placing.

To the best knowledge of our Company, the Cornerstone Investor is an independent third party and independent of our connected persons and their respective close associates. In addition, our Company confirms that (i) there are no side agreements or arrangements between our Group and the Cornerstone Investor entered into between our Group and the Cornerstone Investor for the purpose of the Cornerstone Placing; (ii) it became acquainted with the Cornerstone Investor through introduction by an Underwriter in the Global Offering; (iii) the Cornerstone Investor is not accustomed to take instructions from our Company, our Directors, chief executive of our Company, substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates; (iv) the subscription of Offer Shares by the Cornerstone Investor is not financed by our Company, our Directors, chief executive, substantial Shareholders, or existing Shareholders or any of its subsidiaries or their respective close associates.

CONDITIONS PRECEDENT

The subscription by the Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (i) the underwriting agreements for the Hong Kong Public Offering and the International Placing being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the aforesaid underwriting agreements having been terminated;
- (ii) the Offer Price having been agreed upon between our Company (for itself and on behalf of the Selling Shareholders) and the Joint Global Coordinators (for themselves and on behalf of the underwriters of the Global Offering);
- (iii) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares (including the Shares to be subscribed by the Cornerstone Investor as well as other applicable waivers and approvals) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (iv) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the cornerstone investment agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (v) the representations, warranties, undertakings, confirmations and acknowledgements of the Cornerstone Investor under the cornerstone investment agreement are accurate and true in all material respects and not misleading and that there is no material breach of the cornerstone investment agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed, covenanted with and undertaken to the Company and the Joint Sponsors that, the Cornerstone Investor will not, at any time during the period of six months from the Listing Date (the “**Lock-up Period**”), directly or indirectly, (a) dispose of, in any way, any Shares to be subscribed by the Cornerstone Investor pursuant to the cornerstone investment agreement (the “**Relevant Shares**”) or any interest in any company or entity holding any Relevant Shares, including any securities convertible into or exchangeable or exercisable for or that represent the right to receive any of the foregoing securities; (b) agree or contract to, or publicly announce any intention to enter into a transaction with a third party for disposal of the Relevant Shares; (c) allow itself to undergo a change of control (as defined in the Takeovers Code) at the level of its ultimate beneficial owner; or (d) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction.

UNDERWRITING

HONG KONG UNDERWRITERS

Morgan Stanley Asia Limited
Deutsche Bank AG, Hong Kong Branch
CCB International Capital Limited
China International Capital Corporation Hong Kong Securities Limited
Citigroup Global Markets Asia Limited
CLSA Limited
Crédit Agricole Corporate and Investment Bank, Hong Kong Branch
Credit Suisse (Hong Kong) Limited
DBS Asia Capital Limited
Goldman Sachs (Asia) L.L.C.
Mirae Asset Securities (HK) Limited
UOB Kay Hian (Hong Kong) Limited

UNDERWRITING

This Prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Placing is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the Company (for itself and on behalf of the Selling Shareholders), the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 34,700,000 Hong Kong Public Offer Shares and the International Placing of initially 618,980,000 International Placing Shares, subject, in each case, to reallocation on the basis as described in the section headed “Structure of the Global Offering” in this Prospectus, the Offer Size Adjustment Option and the Over-allotment Option (in the case of the International Placing).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on October 21, 2019. Pursuant to the Hong Kong Underwriting Agreement and subject to the Offer Size Adjustment Option, the Company is offering the Hong Kong Public Offer Shares for subscription on the terms and conditions set out in this Prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to: (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering on the Main Board of the Stock Exchange and such approval not having been withdrawn and; (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Public Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this Prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

UNDERWRITING

As part of the Global Offering, the Offer Size Adjustment Option Grantors have granted the Offer Size Adjustment Option to the Hong Kong Underwriters under the Offer Size Adjustment Deed, exercisable by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) on or before the Price Determination Date, pursuant to which, the Offer Size Adjustment Option Grantors may be required to sell any number of Shares up to an aggregate of 98,052,000 Shares under the Global Offering, at the Offer Price, to cover additional market demand, if any. The additional Offer Shares, if any, will be allocated so as to maintain the proportionality between the Hong Kong Public Offering and the International Placing following the application of the clawback arrangement described in “—The Hong Kong Public Offering—Reallocation” below and the Joint Global Coordinators shall allocate additional new Shares to be offered by the Company pursuant to the International Placing to the Hong Kong Public Offering in order maintain such proportionality and the Offer Size Adjustment Option Shares shall be allocated to the International Placing.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

If any of the events set out below occur at any time prior to 8:00 a.m. on the Listing Date, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in their sole discretion may, by giving notice to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect:

- (a) there develops, occurs, exists or comes into force:
 - (i) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, large scale outbreaks of diseases, economic sanctions (other than those publicly proposed or threatened on or prior to the date hereof), strikes, labor disputes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities, acts of God or acts of terrorism (whether or not responsibility has been claimed)) in or affecting Australia, the Cayman Islands, Hong Kong, India, Japan, Singapore, South Korea, the PRC, the United States, the United Kingdom or the European Union (or any member thereof) (collectively, the “**Relevant Jurisdictions**”);
 - (ii) any change or development involving a prospective change, or any event or circumstances or series of events likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets and credit markets), in or affecting any of the Relevant Jurisdictions;
 - (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price

UNDERWRITING

range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange or the Shanghai Stock Exchange;

- (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at the U.S. Federal or New York State level or by any other competent authority) or any of the other Relevant Jurisdictions (declared by the relevant authorities) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions;
- (v) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or any administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organization or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign or supranational in or affecting any of the Relevant Jurisdictions;
- (vi) an order or petition for the winding up or liquidation of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group;
- (vii) any litigation, dispute, legal action or claim or regulatory or administrative investigation or action being threatened or instigated against any member of the Group;
- (viii) any contravention by the Company or any member of the Group of any applicable laws and regulations including the Listing Rules;
- (ix) any non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws and regulations;
- (x) there is an event, act or omission which gives or is likely to give rise to any liability of the Company or any of the Selling Shareholders pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
- (xi) there is a breach of, or any event or circumstance rendering untrue, incorrect, incomplete or misleading in any respect, any of the warranties given by the Company or any of the Selling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
- (xii) any Director or member of senior management of the Company is being charged with an indictable offense or is prohibited by operation of law or otherwise

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disqualified from taking part in the management of a company or there is the commencement by any governmental, political or regulatory body of any investigation or other action against any Director in his or her capacity as such or any member of the Group or an announcement by any governmental, political or regulatory body that it intends to commence any such investigation or take any such action; or

- (xiii) there is any order or petition for the winding-up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group,

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

- (1) results or will or may result in a material adverse change, or any development involving a prospective material adverse change, in or affecting the condition (financial or otherwise), business, operations, general affairs, management, earnings, prospects, assets and liabilities, financial position, shareholders' equity or results of operations of the Group, taken as a whole;
 - (2) has or will have or may have a material adverse effect on the success or marketability of the Global Offering or the level of applications or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Placing;
 - (3) makes or will make or is likely to make it inadvisable, inexpedient, impracticable or incapable for the Hong Kong Public Offering and/or the International Placing to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Offering Documents (as defined below); or
 - (4) has or will or may have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) there has come to the notice of the Joint Global Coordinators that:
- (i) any statement contained in this prospectus, the Application Forms, the formal notice in connection with the Hong Kong Public Offering and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto (the “**Offering Documents**”) but excluding information relating to the Underwriters) was, when it was issued, or has become, untrue, incorrect, inaccurate, incomplete in any material respects or misleading or

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deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable grounds or reasonable assumptions when taken as a whole;

- (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from, or misstatement in, any of the Offering Documents;
- (iii) there is a material breach of any of the obligations imposed upon the Company or any of the Selling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
- (iv) there is any material adverse change or development or likely to be any prospective material adverse change or development in the assets, liabilities, general affairs, business, management, prospects, shareholders' equity, profits, losses, earnings, results of operations, performance, position or condition, financial or otherwise, of the Group as a whole;
- (v) the approval of the Listing Committee of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering, the KM ESOP, Tier 1 ESOP and Post-IPO Share Option Scheme, other than subject to customary conditions, is not granted on or before the date of the Listing, or if granted, the approval is subsequently withdrawn, canceled, qualified (other than by customary conditions), revoked or withheld;
- (vi) any person (other than any of the Joint Sponsors) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;
- (vii) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or
- (viii) there is a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering.

LOCK-UP ARRANGEMENTS

Undertakings by the Company and the WP Entities to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that it will not exercise its power to issue any further Shares, or securities convertible into Shares (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except: (a) pursuant to the Global Offering; or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

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(B) Undertakings by WP Entities

Pursuant to Rule 10.07(1) of the Listing Rules, (i) WP OCIM has irrevocably and unconditionally undertaken to the Stock Exchange that it shall not (and shall procure the relevant registered holder(s) shall not), and (ii) Warburg Pincus X, L.P and WP X Investment VI Ltd. (together the “**WP Parents**”, and collectively with WP OCIM, “**WP Entities**”) each has severally irrevocably and unconditionally undertaken to the Stock Exchange to procure that WP OCIM or such other relevant registered holder(s) or Shares shall not, except pursuant to the Global Offering and the Over-allotment Option, in the period commencing on the date by reference to which disclosure of the holding of Shares is made in this prospectus and ending on the date which is six (6) months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities of the Company in respect of which it is shown by this prospectus to be the beneficial owner(s).

Notwithstanding the undertaking above, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, WP OCIM is permitted to pledge or charge its Shares or securities of the Company beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) (the “**Secured Party**”) for a bona fide commercial loan pursuant to Note (2) to Rule 10.07(2) of the Listing Rules (a “**Permitted Encumbrance**”) and the Secured Party may enforce the Permitted Encumbrance subject to the following undertakings. Each of WP OCIM and the WP Parents hereby further severally, irrevocably and unconditionally undertake to the Stock Exchange that within the period commencing on the date by reference to which disclosure of their holding of Shares is made in this prospectus and ending on the date which is six (6) months from the Listing Date, it shall:

- (a) if WP OCIM grants a Permitted Encumbrance, immediately inform the Company in writing of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when it receives indications, either verbal or written, from the Secured Party that any of securities of the Company that are pledged or charged by WP OCIM will be disposed of, immediately inform the Company in writing of such indications.

As of the date of this prospectus, WP OCIM has obtained a bona fide commercial loan from an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)). Upon completion of the Listing, WP OCIM will grant security to such authorized institution over the Shares held by WP OCIM which are not sold pursuant to the Global Offering.

Undertakings by the Company pursuant to the Hong Kong Underwriting Agreement

The Company has undertaken to the Joint Global Coordinators, the Joint Sponsors, the Hong Kong Underwriters and each of them not to (save for the issue, offer or sale of the Offer Shares by the Company pursuant to the Global Offering), without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date falling six months after the Listing Date (the “**First Six-Month Period**”):

- (i) offer, allot, issue, sell, accept subscription for, contract to allot, issue or sell, contract or agree to allot, issue or sell, assign, grant or sell any option, warrant, right or contract to

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purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise transfer or dispose of, or agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any Shares or other equity securities of the Company, or any interests in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company); or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any Shares or other equity securities of the Company, or any interest therein (including, without limitation, any securities of which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company); or
- (iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or
- (iv) offer to or contract to or agree to announce, or publicly disclose that the Company will or may enter into any such transaction described in paragraphs (i), (ii) or (iii) above,

in each case, whether any such transaction described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of the Shares or other equity securities of the Company, in cash or otherwise (whether or not the issue of such Shares or other equity securities of the Company will be completed within the First Six-Month Period), provided that the foregoing restrictions shall not apply to the granting of options and issue of Shares by the Company pursuant to the Global Offering, the KM ESOP, Tier 1 ESOP and Post-IPO Share Option Scheme.

Undertakings by the Selling Shareholders pursuant to the International Underwriting Agreement

Each of the Selling Shareholders (save for Luckfield Global Limited if it is one of the Selling Shareholders) has undertaken to the Company, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters that, without the prior written consent of the Company and the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) and unless in compliance with the Listing Rules:

- (a) during the First Six-Month Period, it will not, and will procure that the relevant registered holder(s) will not:
 - (i) offer, pledge, charge, sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant, or purchase any option, warrant, contract or right to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of the Company or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company) beneficially owned by it as of the Listing Date (the “**Locked-up Securities**”); or

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- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of, any Locked-up Securities; or
- (iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or
- (iv) offer to or contract to or agree to or publicly disclose that it will or may enter into any transaction described in paragraphs (i), (ii) or (iii) above,

in each case, whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of such Shares or other equity securities of the Company, in cash or otherwise (whether or not the settlement or delivery of such Shares or other equity securities will be completed within the First Six-Month Period), except for:

- (i) any lending of Shares pursuant to the Stock Borrowing Agreement;
- (ii) any sale of Shares pursuant to the Global Offering including pursuant to the Offer Size Adjustment Option and the Over-allotment Option);
- (iii) transfers as may be required by applicable law or regulation or by any competent authority;
- (iv) transfers to any affiliate of a Selling Shareholder, provided that such affiliate transferee enters into a lock-up undertaking with the Company and the Underwriters on substantially the same terms;
- (v) where the Joint Global Coordinators have given prior written consent to release the lock-up undertaking for one Selling Shareholder, transfers up to the same proportion of Shares as has been released in respect of shares of the other Selling Shareholders;
- (vi) transfers of all Shares held by a Selling Shareholder to a strategic purchaser, provided that such transferee enters into a lock-up undertaking with the Underwriters on substantially the same terms;
- (vii) acceptance of a general or public tender offer for the Shares of the Company made in accordance with the relevant public takeover rules, the provision of an irrevocable undertaking to accept such an offer, a sale to an offeror (or potential offeror) which is named in a public announcement of a firm intention to make an offer (or possible intention to make such an offer) or a sale of shares to an offeror (or potential offeror) during an offer period (as defined by the relevant public takeover rules);
- (viii) transfer of the Shares of the Company pursuant to any scheme of compromise or arrangement providing for the acquisition, by any person or group of persons acting in concert, of 50.0% or more of the equity share capital of the Company, or any disposal of shares in connection with a scheme of reconstruction under laws applicable to the Company;
- (ix) transfers made pursuant to an offer by the Company to repurchase its own shares, as long as this is executed on a pro-rata basis;
- (x) disposal of shares to raise monies to meet any claim under the International Underwriting Agreement, or any expenses or other liabilities (including tax) incurred or suffered in meeting or defending any such claim or arising in consequence of any such disposal;

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- (xi) mortgage, charge or pledge granted over any Shares of the Company by a Selling Shareholder to a third party as collateral for any financing or a transfer of such shares on enforcement of security; and
 - (xii) and any agreement, undertaking or commitment to do any of the actions set out in (i) to (xi); and
- (b) at any time during the First Six-Month Period, it will:
- (i) if and when it or the relevant registered holder(s) pledges or charges any Shares or other equity securities of the Company beneficially owned by it, immediately inform the Company and the Joint Global Coordinators in writing of such pledge or charge together with the number of Shares or other equity securities of the Company so pledged or charged; and
 - (ii) if and when it or the relevant registered holder(s) receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or other equity securities of the Company will be disposed of, immediately inform the Company and the Joint Global Coordinators in writing of such indications.

The Company has undertaken to the Joint Global Coordinators, the Joint Sponsors and the International Underwriters that upon receiving such information in writing from any of the Selling Shareholders, it will, as soon as practicable and if required pursuant to the Listing Rules, notify the Stock Exchange and make a public disclosure in relation to such information by way of an announcement.

Undertakings by non-Selling Shareholders pursuant to the Lock-up Deeds

Each of certain existing Shareholders (save for Luckfield Global Limited if it is not one of the Selling Shareholders) that are not selling shares in the Global Offering, being Laurels, Redwood Entities, SK and StepStone (each, a “**Locked-up Non-Selling Shareholder**”), has undertaken to the Company and each of the Joint Global Coordinators (for themselves and on behalf of each of the International Underwriters and the Hong Kong Underwriters) that:

- (a) during the First Six-Month Period, it will not, and will procure that no company controlled by the Locked-up Non-Selling Shareholder (by majority interest or board control) or any nominee or trustee holding in trust for the Locked-up Non-Selling Shareholder will:
 - (i) offer, pledge, charge, sell, contract or agree to sell, mortgage, charge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant, or purchase any option, warrant, contract or right to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create an encumbrance over (each a “**transfer**”), either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of the Company or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company) beneficially owned by the Locked-up Non-Selling Shareholder as of the Listing Date (the “**Locked-up Non-Selling Shareholder Shares**”);

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- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of, any Locked-up Non-Selling Shareholder Shares;
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer to or contract to or agree to or publicly disclose that such Locked-up Non-Selling Shareholder will or may enter into any transaction described in (i), (ii) or (iii) above,

in each case, whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of such Shares or other equity securities of the Company, in cash or otherwise (whether or not the settlement or delivery of such Shares or other equity securities will be completed within the First Six-Month Period), except for:

- (i) transfers as may be required by applicable law or regulation or by any competent authority;
- (ii) transfers with the prior written consent of the Joint Global Coordinators;
- (iii) transfers to any affiliate of the Locked-up Non-Selling Shareholder, provided that such affiliate transferee enters into a lock-up undertaking with the Company and the Joint Global Coordinators on substantially the same terms as set forth in the lock-up deed;
- (iv) transfers to a strategic purchaser, provided it is in respect of all Locked-up Non-Selling Shareholder Shares and that such transferee enters into a lock-up undertaking with the Joint Global Coordinators on substantially the same terms as set forth in the lock-up deed;
- (v) transfers as part of the acceptance of a general or public tender offer for the Shares of the Company made in accordance with the relevant public takeover rules, the provision of an irrevocable undertaking to accept such an offer, a sale to an offeror (or potential offeror) which is named in a public announcement of a firm intention to make an offer (or possible intention to make such an offer) or a sale of shares to an offeror (or potential offeror) during an offer period (as defined by the relevant public takeover rules);
- (vi) transfers pursuant to any scheme of compromise or arrangement providing for the acquisition, by any person or group of persons acting in concert, of 50.0% or more of the equity share capital of the Company, or any disposal of Shares in connection with a scheme of reconstruction under laws applicable to the Company;
- (vii) transfers pursuant to an offer by the Company to repurchase its own Shares, as long as this is executed on a pro-rata basis;
- (viii) transfers pursuant to any security interest granted over such Locked-up Non-Selling Shareholder Shares by the Locked-up Non-Selling Shareholder to a third party as collateral for any financing or a transfer of such Locked-up Non-Selling Shareholder Shares on enforcement of security; or
- (ix) entering into, giving or making any agreement, undertaking or commitment to do any of the actions set out in (a) to (h) above; and

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- (b) at any time during the First Six-Month period, it will:
 - (i) if and when it pledges or charges any Locked-up Non-Selling Shareholder Shares or other equity securities of the Company beneficially owned by it, to immediately inform the Company and the Joint Global Coordinators of such pledge or charge together with the number of Shares so pledged or charged; and
 - (ii) if and when it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, to immediately inform the Company and the Joint Global Coordinators of such indications.

Hong Kong Underwriters' Interests in the Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of the Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

International Placing

International Underwriting Agreement

In connection with the International Placing, the Company and the Selling Shareholders expect to enter into the International Underwriting Agreement with the International Underwriters on the Price Determination Date. Under the International Underwriting Agreement and subject to the Offer Size Adjustment Option and the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Placing Shares initially being offered pursuant to the International Placing. It is expected that the International Underwriting Agreement may be terminated on similar grounds to the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into or terminated, the Global Offering will not proceed. See the section headed “Structure of the Global Offering—The International Placing” in this Prospectus.

Over-allotment Option

The Over-allotment Option Grantors have granted the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), pursuant to which the Over-allotment Option Grantors may be required to sell an aggregate of up to 15% of the total number of Offer Shares available under the Global Offering, including the Shares offered pursuant to the exercise of the Offer Size Adjustment Option, if any, at the Offer Price to cover over-allocations in the International Placing, if any, and such number of Shares

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will be equal to 98,052,000 Offer Shares, assuming the Offer Size Adjustment Option is not exercised, or 112,759,800 Offer Shares, assuming the Offer Size Adjustment Option is fully exercised. See the section headed “Structure of the Global Offering—Over-allotment Option” in this Prospectus for further details.

Commissions and Expenses

The Underwriters will receive a base fee of 1.25% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be sold pursuant to the exercise of the Offer Size Adjustment Option and the exercise of the Over-allotment Option but excluding any Offer Shares to be sold to investors introduced by the Selling Shareholders or the Company), out of which they will pay any sub-underwriting commissions and other fees.

The Joint Global Coordinators will receive an incentive fee of 0.75% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be sold pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option but excluding any Offer Shares to be sold to investors introduced by the Selling Shareholders or the Company). The Joint Global Coordinators may also receive an additional discretionary fee of up to 0.5% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued and/or sold pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option but excluding any Offer Shares to be sold to investors introduced by the Selling Shareholders or the Company).

For any unsubscribed Hong Kong Public Offer Shares reallocated to the International Placing, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Placing, to the relevant International Underwriters.

The aggregate base fee and incentive fee payable by the Company and the Selling Shareholders to the Underwriters in relation to the Global Offering (assuming an Offer Price of HK\$16.80 per Offer Share (which is the mid-point of the Offer Price range) and the full exercise of the Offer Size Adjustment Option and the Over-allotment Option) will be approximately HK\$286.5 million.

The aggregate base and incentive fees together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK\$484.7 million (assuming an Offer Price of HK\$16.80 per Offer Share (which is the mid-point of the Offer Price range) and the full exercise of the Offer Size Adjustment Option and the Over-allotment Option) and will be paid by the Company, save for such base and incentive fees and expenses relating to the sale of the Sale Shares by the Selling Shareholders which will be borne by the Selling Shareholders.

Indemnity

The Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by them of the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Placing (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

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The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, loan financing, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities, co-investments and/or instruments of or with the Company or members of the Group and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in "Structure of the Global Offering". Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

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- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking, loan financing and other services to the Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions. Certain of the Syndicate Members or their respective affiliates may also be involved in joint venture arrangements or other co-investments with members of the Group.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Morgan Stanley Asia Limited, Deutsche Bank AG, Hong Kong Branch, Citigroup Global Markets Asia Limited, Credit Suisse (Hong Kong) Limited and Goldman Sachs (Asia) L.L.C. are the Joint Global Coordinators of the Global Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Prospectus.

653,680,000 Offer Shares will initially be made available under the Global Offering comprising:

- (a) the Hong Kong Public Offering of initially 34,700,000 New Shares (subject to reallocation and the Offer Size Adjustment Option) in Hong Kong as described in “—The Hong Kong Public Offering” below; and
- (b) the International Placing of initially 245,440,000 New Shares and 373,540,000 Sale Shares (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option)
 - (i) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and (ii) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in “—The International Placing” below.

Up to 98,052,000 additional Offer Shares may be offered pursuant to the exercise of the Offer Size Adjustment Option referred to in “—Offer Size Adjustment Option” below. Furthermore, up to an additional 112,759,800 Offer Shares (assuming the Offer Size Adjustment Option is exercised in full) may be offered pursuant to the exercise of the Over-allotment Option referred to in “—Over-allotment Option” below.

Investors may either:

- (i) apply for Hong Kong Public Offer Shares under the Hong Kong Public Offering; or
- (ii) apply for or indicate an interest for International Placing Shares under the International Placing,

but may not do both.

The Offer Shares will represent approximately 21.5% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Offer Size Adjustment Option and the Over-allotment Option are not exercised. If the Offer Size Adjustment Option and the Over-allotment Option are exercised in full, the Offer Shares will represent approximately 28.5% of the total Shares in issue immediately following the completion of the Global Offering.

References in this Prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

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THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 34,700,000 New Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 5.3% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering and the Offer Size Adjustment Option, will represent approximately 1.0% of the total Shares in issue immediately following the completion of the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in “—Conditions of the Global Offering” below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

For allocation purposes only, the total number of Hong Kong Public Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Public Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the “price” for Hong Kong Public Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Public Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 17,350,000 Hong Kong Public Offer Shares is liable to be rejected.

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Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that, in the event of over-subscription, the alternative clawback mechanism shall be applied.

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 10 times or more but less than 45 times, (b) 45 times or more but less than 95 times and (c) 95 times or more of the total number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 51,700,000 Offer Shares (in the case of (a)), 68,700,000 Offer Shares (in the case of (b)) and 137,300,000 Offer Shares (in the case of (c)), representing approximately 7.9%, 10.5% and 21.0% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Offer Size Adjustment Option or the Over-allotment Option) (the “**Modified PN18 Clawback**”). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be corresponding reduced in a manner as the Joint Global Coordinators deem appropriate.

In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if: (a) the International Placing is undersubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed; or (b) the International Placing is fully subscribed or oversubscribed and the Hong Kong Public Offering is oversubscribed by less than 15 times of the total number of Offer Shares initially available under the Hong Kong Public Offering, then the Joint Global Coordinators may only reallocate Offer Shares from the International Placing to the Hong Kong Public Offering other than pursuant to Practice Note 18 of the Listing Rules on the following conditions in accordance with Guidance Letter HKEX-GL91-18 (the “**Allocation Cap**”):

- (i) the maximum total number of Offer Shares that may be reallocated from the International Placing to the Hong Kong Public Offering shall not be more than double the number of Hong Kong Public Offer Shares initially available under the Hong Kong Public Offering (i.e. 69,400,000 Offer Shares); and
- (ii) the final Offer Price shall be fixed at the bottom of the indicative Offer Price range stated in this Prospectus or the downward adjusted final Offer Price if a Downward Offer Price Adjustment is made in accordance with Guidance Letter HKEX-GL90-18 issued by the Stock Exchange.

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If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators may reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Placing, in such proportions as the Joint Global Coordinators deem appropriate. The Allocation Cap is not triggered.

The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators, subject to the Modified PN18 Clawback and the Allocation Cap (as applicable).

Details of any reallocation of the Offer Shares between the Hong Kong Public Offering and the International Placing will be disclosed in the results announcement which is expected to be published on Thursday, October 31, 2019.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he has been or will be placed or allocated International Placing Shares under the International Placing.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$17.40 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$3,515.06 for one board lot of 200 Shares. If the Offer Price, as finally determined in the manner described in the paragraph headed “—Pricing and Allocation” in this section below, is less than the maximum Offer Price of HK\$17.40 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed “How to Apply for Hong Kong Public Offer Shares” in this Prospectus.

THE INTERNATIONAL PLACING

Number of Offer Shares initially offered

The International Placing will consist of an offering of initially 618,980,000 Shares, comprising 245,440,000 New Shares being offered by the Company and 373,540,000 Sale Shares being offered by the Selling Shareholders and representing approximately 94.7% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation, the Offer Size Adjustment Option and the Over-allotment Option). The number of Offer Shares initially offered under the International Placing, subject to any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, will represent approximately 20.4% of the total Shares in issue immediately following the completion of the Global Offering.

Allocation

The International Placing will include selective marketing of Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have

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a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the “book-building” process described in the paragraph headed “—Pricing and Allocation” in this section below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Group and the Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Placing may change as a result of the clawback arrangement described in the paragraph headed “—The Hong Kong Public Offering—Reallocation” in this section above, the exercise of the Offer Size Adjustment Option and/or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OFFER SIZE ADJUSTMENT OPTION

In connection with the Global Offering, the Offer Size Adjustment Option Grantors have granted the Offer Size Adjustment Option to the Hong Kong Underwriters under the Offer Size Adjustment Option Deed. The Offer Size Adjustment Option provides flexibility to increase the number of Offer Shares available for purchase under the Global Offering to cover additional market demand, if any. The Offer Size Adjustment Option is exercisable by the Joint Global Coordinators on behalf of the Hong Kong Underwriters on or before the Price Determination Date, and will lapse immediately thereafter.

Under the Offer Size Adjustment Option, the Offer Size Adjustment Option Grantors may be required to sell any number of Shares up to an aggregate of 98,052,000 additional Offer Shares at the Offer Price. These additional Offer Shares, if any, will be allocated so as to maintain the proportionality between the Hong Kong Public Offering and the International Placing following the application of the clawback arrangement described in “—Reallocation” in this section and the Joint Global Coordinators shall allocate additional new Shares to be offered by the Company pursuant to the International Placing to the Hong Kong Public Offering in order maintain such proportionality and the Offer Size Adjustment Option Shares shall be allocated to the International Placing. The Offer Size Adjustment Option will not be used for price stabilization purposes and will not be subject to the provisions of the Securities and Futures (Price Stabilization) Rules (Chapter 571W of the Laws of Hong Kong). The Offer Size Adjustment Option will be in addition to the Over-Allotment Option. As

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no new Shares will be issued under the Offer Size Adjustment Option and the Over-allotment Option (as all Offer Shares being offered under the Offer Size Adjustment Option and the Over-allotment Option will be existing Shares), there will be no dilution effect on investors' potential shareholding, nor will any additional proceeds be raised by the Company.

The Company will disclose in its allotment results announcement if and to what extent the Offer Size Adjustment Option has been exercised, or will confirm that if the Offer Size Adjustment Option has not been exercised by the Price Determination Date, it will lapse and cannot be exercised at any future date.

DOWNWARD OFFER PRICE ADJUSTMENT

We have reserved the right to make a Downward Offer Price Adjustment to provide flexibility in pricing the Offer Shares. The ability to make a Downward Offer Price Adjustment does not affect our obligation to issue a supplemental prospectus and to offer investors a right to withdraw their applications if there is a material change in circumstances not disclosed in this Prospectus.

If it is intended that the final Offer Price is set at more than 10% below the bottom end of the indicative Offer Price range, the Withdrawal Mechanism will be applied if the Global Offering is to proceed.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Over-allotment Option Grantors are expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Over-allotment Option Grantors to sell up to an aggregate of 112,759,800 Sale Shares (assuming the Offer Size Adjustment Option is fully exercised), representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Placing to cover over-allocations in the International Placing, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be sold pursuant thereto will represent approximately 3.2% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Offer Size Adjustment Option is not exercised). If the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

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In connection with the Global Offering, the Stabilizing Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken: (a) will be conducted at the absolute discretion of the Stabilizing Manager (or any person acting for it) and in what the Stabilizing Manager reasonably regards as the best interest of the Company; (b) may be discontinued at any time; and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering. The Underwriting Agreements provide that the net profits, if any, resulting from stabilizing actions shall be shared between the Syndicate Members, the Company and the Selling Shareholders.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes: (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (c) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (e) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (a) the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Shares;
- (b) there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;
- (c) liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;
- (d) no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on Sunday, November 24, 2019, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- (e) the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- (f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

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Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or through the Stock Borrowing Agreement as detailed below or a combination of these means.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilizing Manager (or its affiliate or any person acting for it) may choose to borrow up to 112,759,800 Shares (being the maximum number of Shares which may be sold pursuant to the exercise of the Over-allotment Option, assuming the Offer Size Adjustment Option is exercised in full) from the Over-allotment Option Grantors, pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilizing Manager (or its affiliate or any person acting for it) and the Over-allotment Option Grantors on or about the Price Determination Date.

If the Stock Borrowing Agreement with the Over-allotment Option Grantors is entered into, the borrowing of Shares will only be effected by the Stabilizing Manager (or its affiliate or any person acting for it) for the settlement of over-allocations in the International Placing and such borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Placing, are complied with.

The same number of Shares so borrowed must be returned to the Over-allotment Option Grantors or its nominees, as the case may be, on or before the third business day following the earlier of: (a) the last day for exercising the Over-allotment Option; and (b) the day on which the Over-allotment Option is exercised in full.

The Shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to the Over-allotment Option Grantors by the Stabilizing Manager (or its affiliate or any person acting for it) in relation to such Shares borrowing arrangement.

OFFER SIZE

The allocation and the total number of Offer Shares under the Global Offering will be determined in the following manner:

- The allocation of Offer Shares between the International Placing and the Hong Kong Public Offering will be subject to a reallocation adjustment depending on the number of Offer Shares validly applied for under the Hong Kong Public Offering. See “—The Hong Kong Public Offering—Reallocation” above for details.
- If the Offer Size Adjustment Option is exercised in full, the additional Offer Shares made available as a result, representing approximately 15% of the number of Offer Shares initially being offered under the Global Offering, will be allocated so as to maintain the proportionality between the Hong Kong Public Offering and the International Placing on a

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post-clawback basis. The Offer Size Adjustment Option will lapse if it is not exercised by the Price Determination Date. See “—Offer Size Adjustment Option” above for details.

- The number of Offer Shares to be made available under the International Placing may be further increased if the Over-allotment Option is exercised. The maximum number of additional International Placing Shares to be offered pursuant to the exercise of the Over-allotment Option will represent approximately 15% of the number of Offer Shares being offered under the Global Offering (including the shares offered pursuant to the exercise of the Offer Size Adjustment Option, if any). See “—Over-allotment Option” above for details.

The table below sets out a summary of the total number of Hong Kong Public Offer Shares and International Placing Shares being offered in the Global Offering under different scenarios, depending on (a) whether a reallocation pursuant to the clawback arrangement described in “—The Hong Kong Public Offering—Reallocation” above occurs and (b) whether either of the Offer Size Adjustment Option and the Over-allotment Option is exercised at all or exercised in full, or both are exercised in full.

	No clawback reallocation	7.9% clawback reallocation	10.5% clawback reallocation	21.0% clawback reallocation
Total number of Offer Shares before the exercise of the Offer Size Adjustment Option and the Over-allotment Option	34,700,000 Hong Kong Public Offer Shares	51,700,000 Hong Kong Public Offer Shares	68,700,000 Hong Kong Public Offer Shares	137,300,000 Hong Kong Public Offer Shares
	618,980,000 International Placing Shares	601,980,000 International Placing Shares	584,980,000 International Placing Shares	516,380,000 International Placing Shares
Total number of Offer Shares following the exercise in full of the Offer Size Adjustment Option only (the Over-allotment Option is not exercised)	39,850,000 Hong Kong Public Offer Shares	59,390,000 Hong Kong Public Offer Shares	78,940,000 Hong Kong Public Offer Shares	157,870,000 Hong Kong Public Offer Shares
	711,882,000 International Placing Shares	692,342,000 International Placing Shares	672,792,000 International Placing Shares	593,862,000 International Placing Shares
Total number of Offer Shares following the exercise in full of the Over-allotment Option only (the Offer Size Adjustment Option is not exercised)	34,700,000 Hong Kong Public Offer Shares	51,700,000 Hong Kong Public Offer Shares	68,700,000 Hong Kong Public Offer Shares	137,300,000 Hong Kong Public Offer Shares
	717,032,000 International Placing Shares	700,032,000 International Placing Shares	683,032,000 International Placing Shares	614,432,000 International Placing Shares
Total number of Offer Shares following the full exercise of the Offer Size Adjustment Option and the Over-allotment Option	39,850,000 Hong Kong Public Offer Shares	59,390,000 Hong Kong Public Offer Shares	78,940,000 Hong Kong Public Offer Shares	157,870,000 Hong Kong Public Offer Shares
	824,641,800 International Placing Shares	805,101,800 International Placing Shares	785,551,800 International Placing Shares	706,621,800 International Placing Shares

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PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Friday, October 25, 2019 and, in any event, no later than Thursday, October 31, 2019, by agreement between the Joint Global Coordinators (on behalf of the Underwriters), the Company (for itself and on behalf of the Selling Shareholders), and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$17.40 per Offer Share and is expected to be not less than HK\$16.20 per Offer Share (subject to a Downward Offer Price Adjustment), unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the maximum Offer Price of HK\$17.40 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$3,515.06 for one board lot of 200 Shares. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the minimum Offer Price stated in this Prospectus (subject to a Downward Offer Price Adjustment).**

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators (on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process, and with the consent of the Company, determine the final Offer Price to be no more than 10% below the bottom end of the indicative Offer Price range, at any time on or prior to the Price Determination Date.

In such situation, the Company will, as soon as practicable following the decision to set the final Offer Price below the bottom end of the indicative Offer Price range, publish on the website of the Stock Exchange (www.hkexnews.hk) and the Company’s website (www.esr.com) an announcement of the final Offer Price after making a Downward Offer Price Adjustment. Such announcement will be issued before and separate from the announcement of the results of allocations expected to be announced on Thursday, October 31, 2019. The Offer Price announced following making of a Downward Offer Price Adjustment shall be the final Offer Price and shall not be subsequently changed. In the absence of an announcement that a Downward Offer Price Adjustment has been made, the final Offer Price will not be outside the indicative Offer Price range as disclosed in this Prospectus unless the Withdrawal Mechanism is utilized. If the number of Offer Shares and/or the Offer Price range is so reduced beyond 10%, all applicants who have already submitted an application will need to confirm their applications in accordance with the procedures set out in the supplemental prospectus and all unconfirmed applications will not be valid.

The Joint Global Coordinators (on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Placing, and with the consent of the Company, reduce the

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number of Offer Shares offered and/or the Offer Price range below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company and the Stock Exchange at www.esr.com and www.hkexnews.hk, respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and the Company (for itself and on behalf of the Selling Shareholders), will be fixed within such revised Offer Price range.

Before submitting applications for the Hong Kong Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this Prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and the Company (for itself and on behalf of the Selling Shareholders), will under no circumstances be set outside the Offer Price range as stated in this Prospectus.

Irrespective of whether a Downward Offer Price Adjustment is made, the final Offer Price, the level of indications of interest in the International Placing, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Public Offer Shares, the results of allocations in the Hong Kong Public Offering and if and to what extent the Offer Size Adjustment Option has been exercised are expected to be made available through a variety of channels in the manner described in “How to Apply for Hong Kong Public Offer Shares—D. Publication of Results”.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Joint Global Coordinators (on behalf of the Underwriters) and the Company (for itself and on behalf of the Selling Shareholders) agreeing on the Offer Price.

The Company expects to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in “*Underwriting*”.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering on the Main Board of the

STRUCTURE OF THE GLOBAL OFFERING

Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;

- (b) the Offer Price having been agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the Company (for itself and on behalf of the Selling Shareholders);
- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this Prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the Company (for itself and on behalf of the Selling Shareholders) on or before Thursday, October 31, 2019, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company and the Stock Exchange at www.esr.com and www.hkexnews.hk, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Public Offer Shares—F. Refund of Application Monies” in this Prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Friday, November 1, 2019, provided that the Global Offering has become unconditional in all respects at or before that time.

DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, November 1, 2019, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, November 1, 2019.

The Shares will be traded in board lots of 200 Shares each and the stock code of the Shares will be 1821.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

A. APPLICATIONS FOR HONG KONG PUBLIC OFFER SHARES

1. How to Apply

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online through the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

2. Who Can Apply

You can apply for Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you apply for Hong Kong Public Offer Shares online through the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company and the Joint Global Coordinators, as the Company's agent, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Public Offer Shares.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if:

- you are an existing beneficial owner of Shares and/or a substantial shareholder of any of the Company's subsidiaries;
- you are a director or chief executive of the Company and/or any of the Company's subsidiaries;
- you are a close associate of any of the above persons;
- you are a connected person of the Company or a person who will become a connected person of the Company immediately upon the completion of the Global Offering; or
- you have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. Applying for Hong Kong Public Offer Shares

Which Application Channel to Use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **White Form eIPO** service at www.eipo.com.hk.

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Tuesday, October 22, 2019 until 12:00 noon on Friday, October 25, 2019 from:

- (a) any of the following offices of the following Joint Global Coordinators:

Morgan Stanley Asia Limited
46/F, International Commerce Centre
1 Austin Road West Kowloon
Hong Kong

Deutsche Bank AG, Hong Kong Branch
52/F, International
Commerce Centre
1 Austin Road West Kowloon
Hong Kong

Credit Suisse (Hong Kong) Limited
Level 88, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

(b) any of the following branches of the receiving bank for the Hong Kong Public Offering:

Standard Chartered Bank (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Aberdeen Branch	Shop 4A, G/F and Shop 1, 1/F, Aberdeen Centre Site 5, No.6-12 Nam Ning Street, Aberdeen
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion, 38-40A Yee Wo Street, Causeway Bay
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
Kowloon	Kwun Tong Branch	G/F & 1/F One Pacific Centre, 414 Kwun Tong Road, Kwun Tong
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Mei Foo Branch	Shop Nos.106 - 109, 1st Floor, Mei Foo Plaza, Mei Foo Sun Chuen
	Yaumatei Branch	G/F - 1/F, Ming Fong Bldg., 564 Nathan Road, Yaumatei
New Territories	Metroplaza Branch	Shop 473B, Level 4, Metroplaza, 223 Hing Fong Road, Kwai Fong, New Territories
	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
	Shatin Plaza Branch	Shop No. 8, Shatin Plaza, 21-27 Shatin Centre Street, Shatin
	Tai Po Branch	G/F Shop No. 2, 23-25 Kwong Fuk Road, Tai Po Market, Tai Po

You can collect a **YELLOW** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Tuesday, October 22, 2019 until 12:00 noon on Friday, October 25, 2019 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "Horsford Nominees Limited—ESR Cayman Public

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Offer” for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above at the following times:

Tuesday, October 22, 2019	— 9:00 a.m. to 5:00 p.m.
Wednesday, October 23, 2019	— 9:00 a.m. to 5:00 p.m.
Thursday, October 24, 2019	— 9:00 a.m. to 5:00 p.m.
Friday, October 25, 2019	— 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, October 25, 2019, the last day for applications, or such later time as described in the paragraph headed “—C. Effect of Bad Weather on the Opening and Closing of the Application Lists” in this section below.

4. Terms and Conditions of an Application

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully, otherwise your application may be rejected.

By submitting a **WHITE** or **YELLOW** Application Form or applying through the **White Form eIPO** service, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (b) agree to comply with the Memorandum and Articles of Association of the Company, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Cayman Companies Law;
- (c) confirm that you have read the terms and conditions and application procedures set out in this Prospectus and in the Application Form and agree to be bound by them;
- (d) confirm that you have received and read this Prospectus and have relied only on the information and representations in this Prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this Prospectus;
- (e) confirm that you are aware of the restrictions on the Global Offering set out in this Prospectus;
- (f) agree that none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or the Company’s respective directors, officers, employees, agents or representatives and any other parties involved in the Global Offering (the “**Relevant Persons**”) and the **White Form eIPO** Service Provider is or will be liable for any information and representations not in this Prospectus (and any supplement to this Prospectus);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares nor participated in the International Placing;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (h) agree to disclose to the Company, the Hong Kong Share Registrar, the receiving banks and the Relevant Persons any personal data which any of them may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither the Company nor the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this Prospectus and the Application Form;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated to you under the application;
- (o) authorize (i) the Company to place your name(s) or the name of HKSCC Nominees on the register of members of the Company as the holder(s) of any Hong Kong Public Offer Shares allocated to you and such other registers as required under the Memorandum and Articles of Association of the Company and (ii) the Company and/or its agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in “—*Personal Collection*” below to collect the Share certificate(s) and/or refund check(s) in person;
- (p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (q) understand that the Joint Global Coordinators may reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering and in accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 65,400,000 Offer Shares). Further details of the reallocation are stated in the paragraph headed “Structure of the Global Offering” in this prospectus;
- (r) understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (s) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service or by any one as your agent or by any other person; and
- (t) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as its agent.

Additional Instructions for YELLOW Application Forms

You should refer to the **YELLOW** Application Form for details.

5. Applying Through the White Form eIPO Service

General

Individuals who meet the criteria in “—A. Applications for Hong Kong Public Offer Shares— 2. Who Can Apply” above may apply through the **White Form eIPO** service for the Offer Shares to be allocated and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this Prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** Service Provider.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application through the **White Form eIPO** service through the designated website at www.eipo.com.hk (24 hours daily, except on the last day for applications) from 9:00 a.m. on Tuesday, October 22, 2019 until 11:30 a.m. on Friday, October 25, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, October 25, 2019, the last day for applications, or such later time as described in the paragraph headed “—C. Effect of Bad Weather on the Opening and Closing of the Application Lists” in this section below.

No Multiple Applications

If you apply by means of the **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Public Offer Shares, an actual application will be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Only one application may be made for the benefit of any person. If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Commitment to sustainability

The obvious advantage of White Form eIPO service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK\$2 for each “ESR Cayman Limited” White Form eIPO application submitted via www.eipo.com.hk to support sustainability.

6. Applying By Giving Electronic Application Instructions to HKSCC via CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center 1/F,
One & Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

and complete an input request form.

You can also collect a Prospectus from the above address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and the Hong Kong Share Registrar.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this Prospectus; and
- (b) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Public Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares nor participated in the International Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as its agent;
 - confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;
 - authorize the Company to place HKSCC Nominees' name on the register of members of the Company as the holder of the Hong Kong Public Offer Shares allocated to you and such other registers as required under the Articles of Association, and dispatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;
 - confirm that you have received and read a copy of this Prospectus and have relied only on the information and representations in this Prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this Prospectus;
 - agree that neither the Company nor the Relevant Persons is or will be liable for any information and representations not in this Prospectus (and any supplement to this Prospectus);
 - agree to disclose to the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which they may require about you;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before Thursday, November 21, 2019, such agreement to take effect as a collateral contract with the Company, and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person on or before Thursday, November 21, 2019, except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application on or before Thursday, November 21, 2019 if a person responsible for this Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this Prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor **your electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering by the Company;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Public Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for the Company and on behalf of each Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Memorandum and Articles of Association of the Company, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Cayman Companies Law; and
- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this Prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 200 Hong Kong Public Offer Shares. Instructions for more than 200 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:⁽¹⁾

Tuesday, October 22, 2019	—	9:00 a.m. to 8:30 p.m.
Wednesday, October 23, 2019	—	8:00 a.m. to 8:30 p.m.
Thursday, October 24, 2019	—	8:00 a.m. to 8:30 p.m.
Friday, October 25, 2019	—	8:00 a.m. to 12:00 noon

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, October 22, 2019 until 12:00 noon on Friday, October 25, 2019 (24 hours daily, except on Friday, October 25, 2019, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, October 25, 2019, the last day for applications, or such later time as described in the paragraph headed “—C. Effect of Bad Weather on the Opening and Closing of the Application Lists” in this section below.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. Warning for Electronic Applications

The application for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **White Form eIPO** service is only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. The Company, the Relevant Persons and the **White Form eIPO** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allocated any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System for submission of their **electronic application instructions**, they should either (a) submit a **WHITE** or **YELLOW** Application Form or (b) go to HKSCC’s Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, October 25, 2019, the last day for applications, or such later time as described in the paragraph headed “—C. Effect of Bad Weather on the Opening and Closing of the Application Lists” in this section below.

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees”, you must include:

- an account number; or
- some other identification code;

for **each** beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The maximum Offer Price is HK\$17.40 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 200 Hong Kong Public Offer Shares, you will pay HK\$3,515.06.

You must pay the maximum Offer Price, together with brokerage, SFC transaction levy and Stock Exchange trading fee, in full upon application for Hong Kong Public Offer Shares under the terms and conditions set out in the Application Forms.

The Application Forms have tables showing the exact amount payable for the numbers of Offer Shares that may be applied for.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 200 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 200 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering—Pricing and Allocation” in this Prospectus.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

C. EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or
- Extreme Conditions

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, October 25, 2019. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, October 25, 2019 or if there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this Prospectus, an announcement will be made.

D. PUBLICATION OF RESULTS

The Company expects to announce the Offer Price, the level of indications of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Public Offer Shares on Thursday, October 31, 2019 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company at www.esr.com and the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on the websites of the Company and the Stock Exchange at www.esr.com and www.hkexnews.hk, respectively, by no later than 9:00 a.m. on Thursday, October 31, 2019;
- from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID function” on a 24 hour basis from 8:00 a.m. on Thursday, October 31, 2019 to 12:00 midnight on Wednesday, November 6, 2019;
- from the allocation results telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, October 31, 2019 to Sunday, November 3, 2019; and
- in the special allocation results booklets which will be available for inspection during the opening hours of the individual receiving bank branches and sub-branches referred to above from Thursday, October 31, 2019 to Saturday, November 2, 2019.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in “Structure of the Global Offering”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

E. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG PUBLIC OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allocated to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before Thursday, November 21, 2019. This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before Thursday, November 21, 2019 in the following circumstances:

- (i) if a person responsible for this Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person’s responsibility for this Prospectus; or
- (ii) if any supplement to this Prospectus is issued, in which case applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(b) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

(c) If the allocation of Hong Kong Public Offer Shares is void:

The allocation of Hong Kong Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Placing Shares;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at www.eipo.com.hk;
- you apply for more than 17,350,000 Hong Kong Public Offer Shares, being 50% of the 34,700,000 Hong Kong Public Offer Shares initially available under the Hong Kong Public Offering;
- the Company or the Joint Global Coordinators believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- the Underwriting Agreements do not become unconditional or are terminated.

F. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in the section headed "Structure of the Global Offering—Conditions of the Global Offering" in this Prospectus are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the check or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, October 31, 2019.

G. DISPATCH/COLLECTION OF SHARE CERTIFICATES/e-REFUND PAYMENT INSTRUCTIONS/REFUND CHECKS

You will receive one Share certificate for all Hong Kong Public Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW**

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) Share certificate(s) for all the Hong Kong Public Offer Shares allocated to you (for applicants on **YELLOW** Application Forms, Share certificate(s) for the Hong Kong Public Offer Shares allocated to you will be deposited into CCASS as described below); and
- (b) refund check(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for: (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price paid on application in the event that the Offer Price is less than the maximum Offer Price paid on application (including brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% but without interest).

Part of the Hong Kong identity card number/passport number provided by you or the first-named applicant (if you are joint applicants) may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check. Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check.

Subject to arrangement on dispatch/collection of Share certificates and refund checks as mentioned below, any refund checks and Share certificate(s) are expected to be posted on or before Thursday, October 31, 2019. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of check(s) or banker’s cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, November 1, 2019, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Share on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

Personal Collection

(a) ***If you apply using a WHITE Application Form:***

- If you apply for 1,000,000 Hong Kong Public Offer Shares or more on a **WHITE** Application Form and have provided all information required by your Application Form, you may collect your refund check(s) and/or Share certificate(s) (where applicable) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, October 31, 2019, or any other place or date notified by the Company in the newspapers.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant who is eligible for personal collection, your authorized representative must provide a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.
- If you do not personally collect your refund check(s) and/or Share certificate(s) (where applicable) within the time specified for collection, they will be dispatched promptly to you to the address specified in your Application Form by ordinary post and at your own risk.
- If you apply for less than 1,000,000 Hong Kong Public Offer Shares on a **WHITE** Application Form, your refund check(s) and/or Share certificate(s) (where applicable) will be sent to the address specified in your Application Form on or before Thursday, October 31, 2019 by ordinary post and at your own risk.

(b) *If you apply using a **YELLOW** Application Form:*

- If you apply for 1,000,000 Hong Kong Public Offer Shares or more and have provided all information required by your Application Form, please follow the same instructions as described above for collecting refund check(s). If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund check(s) will be sent to the address specified in the Application Form on or before Thursday, October 31, 2019 by ordinary post and at your own risk.
- If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or your designated CCASS Participant's stock account as stated in your Application Form on Thursday, October 31, 2019 or, in the event of a contingency, on any other date determined by HKSCC or HKSCC Nominees.
- If you apply through a designated CCASS Participant (other than a CCASS Investor Participant), for Hong Kong Public Offer Shares credited to your designated CCASS Participant's stock account (other than a CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allocated to you with that CCASS Participant.
- If you apply as a CCASS Investor Participant, the Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering on Thursday, October 31, 2019 in the manner as described in "— Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, October 31, 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System. HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

(c) *If you apply through White Form eIPO service:*

- If you apply for 1,000,000 Hong Kong Public Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, October 31, 2019, or any other place or date notified by the Company in the newspapers as the date of dispatch or collection of Share certificates.
- If you do not personally collect your Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.
- If you apply for less than 1,000,000 Hong Kong Public Offer Shares through the **White Form eIPO** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, October 31, 2019 by ordinary post and at your own risk.
- If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address specified in your application instructions in the form of refund check(s) by ordinary post and at your own risk.

(d) *If you apply by giving electronic application instructions to HKSCC via CCASS:*

Allocation of Hong Kong Public Offer Shares

- For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, October 31, 2019 or on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card /passport/ Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Public Offer Shares in the manner as described in "—D. Publication of Results" above on Thursday, October 31, 2019. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, October 31, 2019 or such other date as determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, October 31, 2019. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, October 31, 2019.

H. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong



October 22, 2019

The Directors
ESR Cayman Limited

Deutsche Securities Asia Limited
CLSA Capital Markets Limited

Dear Sirs,

We report on the Historical Financial Information of ESR Cayman Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-175, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended December 31, 2016, 2017, and 2018, and the six months ended June 30, 2019 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2016, 2017 and 2018 and June 30, 2019 and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-175 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated October 22, 2019 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants. This standard

REPORTING ACCOUNTANTS' RESPONSIBILITY (continued)

requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at December 31, 2016, 2017 and 2018 and at June 30, 2019 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended June 30, 2018 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF
SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND
MISCELLANEOUS PROVISIONS) ORDINANCE**

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

Yours faithfully,

Ernst & Young

Certified Public Accountants

Hong Kong

I. HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young Hua Ming LLP in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB") (the "Underlying Financial Statements").

The Historical Financial Information is presented in U.S. Dollar ("USD") and all values are rounded to the nearest thousand (USD'000) except when otherwise indicated.

I. HISTORICAL FINANCIAL INFORMATION (continued)**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Notes	Year ended December 31			Six months ended June 30	
		2016	2017	2018	2018	2019
		USD'000	USD'000	USD'000	USD'000 (unaudited)	USD'000
REVENUE	5	96,737	153,289	254,148	93,690	155,763
Cost of sales		(2,655)	(3,487)	(43,742)	(2,058)	(41,808)
Gross profit		94,082	149,802	210,406	91,632	113,955
Other income and gains	5	135,145	284,118	254,305	75,665	165,425
Administrative expenses		(57,722)	(106,843)	(154,567)	(55,193)	(91,621)
Fair value loss on derivative financial instrument		(12,133)	—	—	—	—
Finance costs	7	(55,992)	(90,903)	(104,929)	(45,943)	(83,363)
Share of profits and losses of joint ventures and associates, net		36,352	37,000	65,372	14,801	18,317
Profit before tax	6	139,732	273,174	270,587	80,962	122,713
Income tax expense	10	(34,888)	(72,340)	(57,709)	(17,271)	(38,636)
Profit for the year/period		<u>104,844</u>	<u>200,834</u>	<u>212,878</u>	<u>63,691</u>	<u>84,077</u>
Attributable to:						
Owners of the parent		88,267	186,265	203,042	61,793	75,950
Non-controlling interests		16,577	14,569	9,836	1,898	8,127
		<u>104,844</u>	<u>200,834</u>	<u>212,878</u>	<u>63,691</u>	<u>84,077</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic						
For profit for the year/period	12	0.05	0.09	0.08	0.03	0.03
Diluted						
For profit for the year/period	12	0.04	0.09	0.08	0.02	0.03
Profit for the year/period		<u>104,844</u>	<u>200,834</u>	<u>212,878</u>	<u>63,691</u>	<u>84,077</u>
OTHER COMPREHENSIVE INCOME						
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:						
Changes in fair value of available-for-sale investments	250	(10,388)	—	—	—	—
Exchange differences on translation of foreign operations	(38,394)	46,312	(57,792)	(4,901)	(1,133)	
Share of other comprehensive income/(loss) of joint ventures and associates	(11,098)	16,367	(13,465)	(8,051)	(10,719)	
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	(49,242)	52,291	(71,257)	(12,952)	(11,852)	
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:						
Changes in fair value of financial assets at fair value through other comprehensive income	—	—	8,544	9,239	31,632	
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	—	—	8,544	9,239	31,632	
Other comprehensive (loss)/ income for the year/period, net of tax	(49,242)	52,291	(62,713)	(3,713)	19,780	
Total comprehensive income for the year/period		<u>55,602</u>	<u>253,125</u>	<u>150,165</u>	<u>59,978</u>	<u>103,857</u>
Attributable to:						
Owners of the parent		39,922	235,595	134,941	53,050	91,879
Non-controlling interests		15,680	17,530	15,224	6,928	11,978
		<u>55,602</u>	<u>253,125</u>	<u>150,165</u>	<u>59,978</u>	<u>103,857</u>

I. HISTORICAL FINANCIAL INFORMATION (continued)**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		As at December 31			As at June 30
	Notes	2016	2017	2018	2019
		USD'000	USD'000	USD'000	USD'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	2,446	17,360	21,061	24,314
Right-of-use assets	14	4,164	7,482	9,090	13,037
Investments in joint ventures	15	198,225	313,081	404,699	526,085
Investments in associates	16	—	—	9,334	—
Financial assets at fair value through profit or loss	17	140,577	362,073	335,771	504,903
Financial assets at fair value through other comprehensive income	18	—	—	484,239	468,958
Available-for-sale investments	19	1,492	189,816	—	—
Investment properties	20	942,929	1,189,203	1,885,502	2,656,507
Goodwill	21	210,480	226,232	285,382	340,243
Other intangible assets	22	25,048	48,181	79,493	96,710
Other non-current assets	23	49,772	22,709	34,361	37,013
Deferred tax assets	30	9,309	10,353	13,559	16,671
Total non-current assets		1,584,442	2,386,490	3,562,491	4,684,441
CURRENT ASSETS					
Trade receivables	24	9,271	30,448	63,057	51,870
Prepayments, other receivables and other assets	25	22,284	37,139	224,673	199,303
Cash and bank balances	26	485,545	600,791	581,379	1,010,390
Total current assets		517,100	668,378	869,109	1,261,563
CURRENT LIABILITIES					
Bank loans and other borrowings	27	75,862	91,706	436,194	630,135
Lease liabilities	28	1,314	2,335	3,374	6,091
Redeemable convertible preference shares	32	—	—	296,778	316,010
Trade payables, accruals and other payables	29	30,425	58,705	111,743	128,749
Income tax payable		1,937	9,616	7,284	6,289
Total current liabilities		109,538	162,362	855,373	1,087,274
NET CURRENT ASSETS		407,562	506,016	13,736	174,289
TOTAL ASSETS LESS CURRENT LIABILITIES		1,992,004	2,892,506	3,576,227	4,858,730
NON-CURRENT LIABILITIES					
Deferred tax liabilities	30	109,952	138,447	191,949	186,993
Bank loans and other borrowings	27	759,403	741,729	1,024,279	2,173,601
Lease liabilities	28	2,935	5,624	6,311	18,317
Redeemable convertible preference shares	32	246,156	264,199	—	—
Financial liabilities at fair value through profit or loss	33	12,592	13,671	—	—
Other non-current liabilities		10,662	22,196	35,766	40,925
Total non-current liabilities		1,141,700	1,185,866	1,258,305	2,419,836
NET ASSETS		850,304	1,706,640	2,317,922	2,438,894
EQUITY					
Equity attributable to owners of the parent					
Issued capital	43	1,963	2,335	2,689	2,689
Perpetual capital securities	45	—	98,845	97,379	97,379
Equity components of redeemable convertible instruments and warrant instrument		65,548	63,836	37,132	37,132
Other reserves	46	698,715	1,415,069	1,952,839	2,073,569
		766,226	1,580,085	2,090,039	2,210,769
Non-controlling interests	34	84,078	126,555	227,883	228,125
Total equity		850,304	1,706,640	2,317,922	2,438,894

I. HISTORICAL FINANCIAL INFORMATION (continued)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent										Total equity
	Issued capital	Share premium*	Statutory reserve*	Merger reserve*	Share option reserve*	Exchange fluctuation reserve*	Available -for-sale investment revaluation reserve*	Retained profits*	Equity component of redeemable convertible instrument	Equity component of warrant instrument	
	(note 43) USD'000	(note 43) USD'000	(note 46) USD'000	(note 46) USD'000	(note 44) USD'000	(note 46) USD'000			USD'000	USD'000	USD'000
As at January 1, 2016	1,573	246,985	510	56,358	347	(22,566)	—	124,295	—	—	USD'000
Profit for the year	—	—	—	—	—	—	—	88,267	—	—	922
Change in fair value of available-for-sale investments, net of tax	—	—	—	—	—	—	250	—	—	—	16,577
Exchange differences on translation of foreign operations	—	—	—	—	—	(37,497)	—	—	—	—	—
Share of other comprehensive loss of joint ventures	—	—	—	—	—	(11,098)	—	—	—	—	—
Total comprehensive income/(loss) for the year	—	—	—	—	—	(48,595)	250	88,267	—	—	USD'000
Issue of shares (note 43)	390	252,789	—	—	—	—	—	—	—	—	15,680
Equity-settled share option arrangements	—	—	—	—	75	—	—	—	—	—	—
Transferred from retained profits	—	—	189	—	—	—	—	(189)	—	—	75
Transferred from financial liabilities (note 33)	—	—	—	—	—	—	—	—	—	—	—
Transferred from derivative financial instruments (note 31)	—	—	—	—	—	—	—	—	—	—	41,019
Issue of redeemable convertible preference shares (note 32)	—	—	—	—	—	—	—	—	—	26,704	—
Acquisition of a subsidiary (note 35)	—	—	—	—	—	—	—	—	38,844	—	—
Disposal of subsidiaries (note 37)	—	—	—	—	—	—	—	—	—	—	26,662
As at December 31, 2016	1,963	499,774	699	56,358	422	(71,161)	250	212,373	38,844	26,704	USD'000
											84,078
											850,304

I. HISTORICAL FINANCIAL INFORMATION (continued)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	Attributable to owners of the parent													
	Issued capital (note 43) USD'000	Share premium* (note 43) USD'000	Statutory reserve* (note 46) USD'000	Merger reserve* (note 46) USD'000	Share option reserve* (note 44) USD'000	Exchange fluctuation reserve* (note 46) USD'000	Available investment revaluation reserve* USD'000	Retained profits* USD'000	Equity component of redeemable convertible preference shares USD'000	Equity component of warrant instrument USD'000	Perpetual capital instrument USD'000	Total	Non-controlling interests USD'000	Total equity USD'000
As at January 1, 2017	1,963	499,774	699	56,358	422	(71,161)	250	212,373	38,844	26,704	—	766,226	84,078	850,304
Profit for the year	—	—	—	—	—	—	—	186,265	—	—	—	186,265	14,569	200,834
Change in fair value of available-for-sale investments, net of tax	—	—	—	—	—	—	(10,388)	—	—	—	—	(10,388)	—	(10,388)
Exchange differences on translation of foreign operations	—	—	—	—	—	43,351	—	—	—	—	—	43,351	2,961	46,312
Share of other comprehensive income of joint ventures	—	—	—	—	—	16,367	—	—	—	—	—	16,367	—	16,367
Total comprehensive income/(loss) for the year	372	472,961	—	—	—	59,718	(10,388)	186,265	—	—	—	235,595	17,530	253,125
Issue of shares (note 43)	—	—	—	—	—	—	—	—	—	—	—	473,333	—	473,333
Equity-settled share option arrangements (note 44)	—	—	—	—	11,923	—	—	—	—	—	—	11,923	—	11,923
Transferred from retained profits	—	—	43	—	—	—	—	(43)	—	—	—	—	—	—
Redemption of the redeemable convertible preference shares (note 32)	—	—	—	—	—	—	—	—	(1,712)	—	—	(1,712)	—	(1,712)
Issue of perpetual capital securities (note 45)	—	—	—	—	—	—	—	—	—	—	98,845	98,845	—	98,845
Profit attributable to holders of perpetual capital securities (note 45)	—	—	—	—	—	—	—	(4,125)	—	—	4,125	—	—	—
Acquisition of subsidiaries (note 35)	—	—	—	—	—	—	—	—	—	—	—	—	25,417	25,417
Distribution paid to holders of perpetual capital securities (note 45)	—	—	—	—	—	—	—	—	—	—	(4,125)	(4,125)	—	(4,125)
Dividend distribution to non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	(470)	(470)
As at December 31, 2017	2,335	972,735	742	56,358	12,345	(11,443)	(10,138)	394,470	37,132	26,704	98,845	1,580,085	126,555	1,706,640

I. HISTORICAL FINANCIAL INFORMATION (continued)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	Attributable to owners of the parent														
	Issued capital (note 43) USD'000	Share premium* (note 43) USD'000	Statutory reserve* (note 46) USD'000	Merger reserve* (note 46) USD'000	Share option reserve* (note 44) USD'000	Exchange fluctuation reserve* (note 46) USD'000	Available -for-sale investment revaluation reserve** USD'000	Retained profits** USD'000	Investment reserve (non-recycling)* USD'000	Equity component of warrant instrument USD'000	Equity component of redeemable preference shares USD'000	Perpetual capital instrument USD'000	Total USD'000	Non-controlling interests USD'000	Total equity USD'000
As at January 1, 2018	2,335	972,735	742	56,358	12,345	(11,443)	(10,138)	394,470	—	26,704	37,132	98,845	1,580,085	126,555	1,706,640
Impact on initial application of IFRS 9	—	—	—	—	—	—	10,138	(701)	(9,437)	—	—	—	—	—	—
Adjusted balances as at January 1, 2018	2,335	972,735	742	56,358	12,345	(11,443)	—	393,769	(9,437)	26,704	37,132	98,845	1,580,085	126,555	1,706,640
Profit for the year	—	—	—	—	—	—	—	203,042	—	—	—	—	203,042	9,836	212,878
Change in fair value of financial assets at fair value through other comprehensive income	—	—	—	—	—	—	—	—	8,544	—	—	—	8,544	—	8,544
Exchange differences on translation of foreign operations	—	—	—	—	—	(63,180)	—	—	—	—	—	—	(63,180)	5,388	(57,792)
Share of other comprehensive loss of joint ventures	—	—	—	—	—	(13,465)	—	—	—	—	—	—	(13,465)	—	(13,465)
Total comprehensive income/(loss) for the year	—	—	—	—	—	(76,645)	—	203,042	8,544	—	—	—	134,941	15,224	150,165
Issue of shares (note 43)	299	370,959	—	—	(10,161)	—	—	—	—	—	—	—	361,097	—	361,097
Transferred from retained profit	—	—	193	—	—	—	—	(193)	—	—	—	—	—	—	—
Transfer of equity component of redeemable convertible instrument	55	26,704	—	—	—	—	—	—	—	(26,704)	—	—	55	—	55

I. HISTORICAL FINANCIAL INFORMATION (continued)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

Attributable to owners of the parent															
	Issued capital (note 43) USD'000	Share premium* (note 43) USD'000	Statutory reserve* (note 46) USD'000	Merger reserve* (note 46) USD'000	Share option reserve* (note 44) USD'000	Exchange Fluctuation reserve* (note 46) USD'000	Available -for-sale investment revaluation reserve* USD'000	Retained profits* USD'000	Investment reserve (non-recycling)* USD'000	Equity component of warrant instrument USD'000	Equity component of redeemable convertible preference shares USD'000	Perpetual capital instrument USD'000	Total USD'000	Non-controlling interests USD'000	Total equity USD'000
Repurchase of perpetual capital securities (note 45)	—	—	—	—	—	—	—	—	—	—	—	(1,466)	(1,466)	—	(1,466)
Profit attributable to holders of perpetual capital securities (note 45)	—	—	—	—	—	—	—	(8,192)	—	—	—	8,192	—	—	—
Distribution paid to holders of perpetual capital securities (note 45)	—	—	—	—	—	—	—	—	—	—	—	(8,192)	(8,192)	—	(8,192)
Acquisition of subsidiaries (note 35)	—	—	—	—	—	—	—	—	—	—	—	—	—	57,442	57,442
Issuance of shares of a subsidiary (note 35)	—	—	—	—	—	—	—	—	—	—	—	—	—	15,481	15,481
Contribution from non-controlling interest	—	—	—	—	—	—	—	362	—	—	—	—	362	13,793	14,155
Dividend distribution to non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	(612)	(612)
Equity-settled share option arrangement (note 44)	—	—	—	—	23,157	—	—	—	—	—	—	—	23,157	—	23,157
As at December 31, 2018	2,689	1,370,398	935	56,358	25,341	(88,088)	—	588,788	(893)	—	37,132	97,379	2,090,039	227,883	2,317,922

I. HISTORICAL FINANCIAL INFORMATION (continued)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	Attributable to owners of the parent													Non-controlling interests	Total equity
	Issued capital (note 43) USD'000	Share premium* (note 43) USD'000	Statutory reserve* (note 46) USD'000	Merger reserve* (note 46) USD'000	Share option reserve* (note 44) USD'000	Exchange fluctuation reserve* (note 46) USD'000	Available -for-sale investment revaluation reserve* (10,138)	Retained profits* (701)	Investment reserve (non-recycling)* (9,437)	Equity component of warrant instrument 26,704	Equity component of redeemable preference shares 37,132	Perpetual capital instrument 98,845	Total 1,580,085		
As at January 1, 2018	2,335	972,735	742	56,358	12,345	(11,443)	(10,138)	394,470	—	26,704	37,132	98,845	1,580,085	126,555	1,706,640
Impact on initial application of IFRS 9 (unaudited)	—	—	—	—	—	—	10,138	(701)	(9,437)	—	—	—	—	—	—
Adjusted balances as at January 1, 2018	2,335	972,735	742	56,358	12,345	(11,443)	—	393,769	(9,437)	26,704	37,132	98,845	1,580,085	126,555	1,706,640
Profit for the period (unaudited)	—	—	—	—	—	—	—	61,793	—	—	—	—	61,793	1,898	63,691
Change in fair value of financial assets at fair value through other comprehensive income (unaudited)	—	—	—	—	—	—	—	—	9,239	—	—	—	9,239	—	9,239
Exchange differences on translation of foreign operations (unaudited)	—	—	—	—	—	(9,931)	—	—	—	—	—	—	(9,931)	5,030	(4,901)
Share of other comprehensive loss of joint ventures (unaudited)	—	—	—	—	—	(8,051)	—	—	—	—	—	—	(8,051)	—	(8,051)
Total comprehensive income/(loss) for the period	—	—	—	—	—	(17,982)	—	61,793	9,239	—	—	—	53,050	6,928	59,978
Issue of shares (unaudited)	267	345,894	—	—	—	—	—	—	—	—	—	—	346,161	—	346,161
Transferred from retained profit (unaudited)	—	—	73	—	—	—	—	(73)	—	—	—	—	—	—	—
Transfer of equity component of redeemable convertible instrument (unaudited)	55	26,704	—	—	—	—	—	—	—	(26,704)	—	—	55	—	55
Repurchase of perpetual capital securities (unaudited)	—	—	—	—	—	—	—	—	—	—	—	(1,466)	(1,466)	—	(1,466)

I. HISTORICAL FINANCIAL INFORMATION (continued)

Attributable to owners of the parent

I. HISTORICAL FINANCIAL INFORMATION (continued)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	Attributable to owners of the parent												
	Issued capital	Share premium*	Statutory reserve*	Merger reserve*	Share option reserve*	Exchange Fluctuation reserve*	Retained Profits*	Investment reserve (non-recycling)*	Equity component of			Non-controlling interests	Total equity
									redeemable preference shares	perpetual capital instrument	Total		
	(note 43) USD'000	(note 43) USD'000	(note 46) USD'000	(note 46) USD'000	(note 44) USD'000	(note 46) USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
As at January 1, 2019	2,689	1,370,398	935	56,358	25,341	(88,088)	588,788	(893)	37,132	97,379	2,090,039	227,883	2,317,922
Profit for the period	—	—	—	—	—	—	75,950	—	—	—	75,950	8,127	84,077
Change in fair value of financial assets at fair value through other comprehensive income	—	—	—	—	—	—	—	30,684	—	—	30,684	948	31,632
Exchange differences on translation of foreign operations	—	—	—	—	—	(4,036)	—	—	—	—	(4,036)	2,903	(1,133)
Share of other comprehensive loss of joint ventures	—	—	—	—	—	(10,719)	—	—	—	—	(10,719)	—	(10,719)
Total comprehensive income/(loss) for the period	—	—	—	—	—	(14,755)	75,950	30,684	—	—	91,879	11,978	103,857
Transferred from retained profit	—	—	145	—	—	—	(145)	—	—	—	—	—	—
Profit attributable to holders of perpetual capital securities (note 45)	—	—	—	—	—	—	(4,125)	—	—	4,125	—	—	—
Distribution paid to holders of perpetual capital securities (note 45)	—	—	—	—	—	—	—	—	—	(4,125)	(4,125)	—	(4,125)
Acquisition of subsidiaries (note 35)	—	—	—	—	—	—	11,125	(11,125)	—	—	—	798	798
Disposal of subsidiaries	—	—	(724)	—	—	4,901	—	—	—	—	4,177	—	4,177
Contribution from non-controlling interests	—	—	—	—	—	—	21,220	—	—	—	21,220	47,570	68,790
Acquisition of non-controlling interests	—	—	—	—	—	—	(2,306)	—	—	—	(2,306)	(346)	(2,652)
Distribution to non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(59,551)	(59,551)
Dividend distribution to non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(207)	(207)
Equity-settled share option arrangement (note 44)	—	—	—	—	9,885	—	—	—	—	—	9,885	—	9,885
As at June 30, 2019	2,689	1,370,398	356	56,358	35,226	(97,942)	690,507	18,666	37,132	97,379	2,210,769	228,125	2,438,894

Note:

* These reserve accounts comprise the consolidated reserves of USD698,715,000, USD1,415,069,000, and USD 2,073,569,000 in the consolidated statements of financial position as at December 31, 2016, 2017, 2018, and June 30, 2019, respectively.

I. HISTORICAL FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31			Six months ended June 30	
		2016	2017	2018	2018	2019
		USD'000	USD'000	USD'000	USD'000 (unaudited)	USD'000
Cash flows from operating activities						
Profit before tax		139,732	273,174	270,587	80,962	122,713
Adjustments for:						
—Depreciation of property, plant and equipment	6	648	1,242	1,812	824	2,063
—Amortization of other intangible assets	6	3,799	4,204	5,089	2,168	3,034
—Depreciation of right-of-use assets	6	1,612	2,615	3,325	1,663	2,199
—Fair value gains on financial assets at fair value through profit or loss	5	(26,728)	(32,739)	(44,937)	(18,369)	(22,818)
—Fair value gains on investment properties under construction	5	(5,760)	(100,039)	(62,779)	(8,761)	(76,761)
—Fair value gains on completed investment properties	5	(100,799)	(95,179)	(109,688)	(37,396)	(26,800)
—Fair value loss on derivative financial instruments		12,133	—	—	—	—
—Loss on disposal of items of property, plant and equipment	6	74	81	9,697	148	316
—Share of profits and losses of joint ventures and associates, net		(36,352)	(37,000)	(65,372)	(14,801)	(18,317)
—Equity-settled share option expense	6	75	11,923	23,157	11,961	9,885
—Gain on remeasurement of investment in associate to fair value		—	—	—	—	(8,556)
—Gains on disposal of subsidiaries	5	(32)	(38,311)	(2,662)	—	(16,495)
—Gains on deemed partial disposal of a joint venture	5	—	(29)	—	—	—
—Finance costs	7	55,992	90,903	104,929	45,943	83,363
—Interest income	5	(502)	(2,477)	(1,530)	(985)	(1,768)
—Dividend income	5	—	(10,679)	(25,519)	(9,771)	(11,848)
		43,892	67,689	106,109	53,586	40,210
—(Increase)/decrease in trade receivables		(2,262)	(22,390)	(21,012)	(10,395)	11,197
—(Increase)/decrease in prepayments, other receivables and other assets		(6,419)	(25,653)	(17,238)	(3,305)	(4,861)
—(Decrease)/increase in trade payables, accruals and other payables		(13,084)	29,202	27,684	(6,876)	(13,607)
Cash flows generated from operations		22,127	48,848	95,543	33,010	32,939
Income tax paid		(88)	(12,452)	(16,203)	(9,704)	(18,572)
Net cash flows generated from operating activities		22,039	36,396	79,340	23,306	14,367

I. HISTORICAL FINANCIAL INFORMATION (continued)**CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**

	Notes	Year ended December 31			Six months ended June 30	
		2016	2017	2018	2018	2019
		USD'000	USD'000	USD'000	USD'000 (unaudited)	USD'000
Cash flows used in investing activities						
Purchases of property, plant and equipment		(1,561)	(15,957)	(13,229)	(9,558)	(5,440)
Additions of other intangible assets		(160)	(603)	(499)	(124)	(719)
Additions of investment properties		(68,375)	(134,929)	(106,998)	(85,919)	(242,778)
Prepayments for acquiring land use rights		(2,451)	—	(8,729)	—	(4,324)
Increase in deposits for bidding of land use rights		(830)	(4,898)	(16,476)	(7,271)	(4,070)
Purchase of financial assets at fair value through profit or loss		(51,248)	(87,651)	(154,481)	(134,561)	(128,996)
Prepayments for financial assets at fair value through profit or loss		(30,335)	—	(42,763)	—	—
Dividend income from financial assets at fair value through profits or loss		—	4,987	—	—	1,376
Distribution from financial assets at fair value through profits or loss		—	—	—	—	83,547
Purchase of financial assets at fair value through other comprehensive income		—	—	(243,745)	(197,763)	(37,289)
Dividend income from financial assets at fair value through other comprehensive income		—	—	26,142	9,311	10,432
Purchase of an available-for-sale investment		—	(193,848)	—	—	—
Disposal of assets at fair value through other comprehensive income		—	—	—	—	96,463
Acquisition of subsidiaries	35	(40,253)	(133,249)	(165,985)	(30,763)	(444,980)
Disposal of subsidiaries	37	12,744	150,500	(11,415)	—	119,383
Capital injection in joint ventures		(80,470)	(60,407)	(31,160)	(6,944)	(42,083)
Dividend income from associates		—	—	—	—	4,221
Addition to investment in associates		—	—	—	—	(126)
Advances to related parties		(4,992)	(594)	(3,652)	(1,099)	(5,673)
Repayments from related parties		3,158	492	—	—	—
Dividend income from available-for-sale investments		—	879	—	—	—
Release of non-pledged fixed time deposits		—	—	—	—	15,318
Interest received		502	2,477	1,530	985	1,768
(Increase)/decrease in non-pledged fixed time deposits with maturity period over three months		—	—	(15,318)	—	—
Net cash flows used in investing activities		<u>(264,271)</u>	<u>(472,801)</u>	<u>(786,778)</u>	<u>(463,706)</u>	<u>(583,970)</u>

I. HISTORICAL FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Notes	Year ended December 31			Six months ended June 30	
		2016	2017	2018	2018	2019
		USD'000	USD'000	USD'000	USD'000 (unaudited)	USD'000
Cash flows from financing activities						
Proceeds from bank loans and other borrowings	40	682,395	330,098	584,812	183,513	1,606,607
Repayments of bank loans and other borrowings	40	(344,887)	(294,558)	(195,500)	(46,740)	(545,976)
Interest of bank loans and other borrowings paid . .	40	(55,772)	(46,700)	(54,615)	(22,806)	(42,711)
Increase in restricted cash	26	—	—	(19,294)	—	(2,766)
Interest of redeemable convertible preference shares paid	32	—	(13,596)	(13,031)	(6,919)	(6,869)
Acquisition of non-controlling interests		—	—	—	—	(2,652)
Capital contribution from non-controlling shareholders		—	—	11,199	154	68,790
Distribution paid to non-controlling interests		—	—	—	—	(59,551)
Distribution paid to holders of perpetual capital securities	45	—	(4,125)	(8,192)	(4,202)	(4,125)
Release of bank deposits pledged for bank loans	26	21,994	12,958	29,092	—	—
Increase in pledged bank deposits for bank loans	26	(58,255)	(12,981)	—	—	—
Proceeds from issue of shares		—	473,333	361,097	346,161	—
Repurchase of perpetual capital securities	45	—	—	(1,466)	(1,466)	—
Proceeds from issue of redeemable convertible preference shares	32	285,000	—	—	—	—
Redemption of redeemable convertible preference share	32	—	(11,400)	—	—	—
Issue of perpetual capital securities	45	—	98,845	—	—	—
Proceeds from/(repayments to) related parties . . .		(6,649)	(2,167)	(1,197)	(254)	805
Dividend paid to non-controlling shareholder of a subsidiary		(205)	(470)	(612)	(369)	(207)
Principal portion of lease payments	40	(1,540)	(2,546)	(3,616)	(1,678)	(2,433)
Net cash generated from financing activities . .		<u>522,081</u>	<u>526,691</u>	<u>688,677</u>	<u>445,394</u>	<u>1,008,912</u>
Net increase/(decrease) in cash and cash equivalents		<u>279,849</u>	<u>90,286</u>	<u>(18,761)</u>	<u>4,994</u>	<u>439,309</u>
Cash and cash equivalents at beginning of year / period		144,319	411,765	526,988	526,988	502,056
Effect of foreign exchange rate changes, net		(12,403)	24,937	(6,171)	372	2,254
Cash and cash equivalents at end of year/period		<u>411,765</u>	<u>526,988</u>	<u>502,056</u>	<u>532,354</u>	<u>943,619</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	26	485,545	600,791	581,379	606,157	1,010,390
Non-pledged fixed time deposits with maturity period over three months	26	—	—	(15,318)	—	—
Restricted bank balances	26	—	—	(19,294)	—	(22,060)
Pledged bank deposits	26	<u>(73,780)</u>	<u>(73,803)</u>	<u>(44,711)</u>	<u>(73,803)</u>	<u>(44,711)</u>
Cash and cash equivalents as stated in the consolidated statements of cash flows		<u>411,765</u>	<u>526,988</u>	<u>502,056</u>	<u>532,354</u>	<u>943,619</u>

I. HISTORICAL FINANCIAL INFORMATION (continued)**STATEMENTS OF FINANCIAL POSITION**

		As at December 31			As at June 30
	Notes	2016	2017	2018	2019
		USD'000	USD'000	USD'000	USD'000
NON-CURRENT ASSETS					
Property, plant and equipment		—	—	358	361
Available-for-sale investments	19	—	543	—	—
Financial assets at fair value through other comprehensive income	18	—	—	32,549	33,122
Investments in subsidiaries		289,370	386,190	629,822	660,349
Investments in joint ventures	15	143,618	173,318	220,180	237,014
Other intangible assets	22	—	227	432	337
Other non-current assets		—	—	—	2,734
Total non-current assets		432,988	560,278	883,341	933,917
CURRENT ASSETS					
Prepayments, other receivables and other assets	25	414,982	721,786	1,452,762	1,920,700
Cash and bank balances	26	318,976	414,315	230,546	447,459
Total current assets		733,958	1,136,101	1,683,308	2,368,159
CURRENT LIABILITIES					
Bank loans and other borrowings	27	42,450	42,450	339,691	492,913
Redeemable convertible preference shares	32	—	—	296,778	316,010
Trade payables, accruals and other payables	29	48,109	41,484	55,987	78,117
Income tax payable		—	1,045	993	994
Total current liabilities		90,559	84,979	693,449	888,034
NET CURRENT ASSETS		643,399	1,051,122	989,859	1,480,125
TOTAL ASSETS LESS CURRENT LIABILITIES					
		1,076,387	1,611,400	1,873,200	2,414,042
NON-CURRENT LIABILITIES					
Bank loans and other borrowings	27	275,920	298,083	—	601,357
Redeemable convertible preference shares	32	246,156	264,199	—	—
Trade payables, accruals and other payables	29	—	—	495,000	495,000
Total non-current liabilities		522,076	562,282	495,000	1,096,357
NET ASSETS		554,311	1,049,118	1,378,200	1,317,685
EQUITY					
Issued capital	43	1,963	2,335	2,689	2,689
Perpetual capital securities	45	—	98,845	97,379	97,379
Equity components of redeemable convertible instruments and warrant instrument		65,548	63,836	37,132	37,132
Other reserves	46	486,800	884,102	1,241,000	1,180,485
Total equity		554,311	1,049,118	1,378,200	1,317,685

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

ESR Cayman Limited (formerly known as e-Shang Redwood Limited, e-shang Cayman Limited, the “Company”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on June 14, 2011. The address of the registered office is c/o Walkers Corporate Limited, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company and its subsidiaries (together, the “Group”) are principally engaged in warehousing investment property development, leasing, property management and construction in the People’s Republic of China (the “PRC”), and private equity fund investment and management in the PRC, Singapore, Australia, South Korea, Japan and India.

Information about subsidiaries

As at the end of June 30, 2019, the Company had direct and indirect interests in its subsidiaries, the particulars of which are set out below:

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai e-Shang Warehousing Service Co., Ltd. ⁽ⁱ⁾	PRC/ Mainland China July 8, 2011	RMB 109,090,909	N/A	100%	Investment and management
Dongguan Huishang e-commerce Service Co., Ltd. ⁽ⁱ⁾	PRC/ Mainland China December 21, 2011	USD 20,000,000	N/A	100%	Warehousing business
Langfang Weidu International Logistic Co., Ltd. ⁽ⁱ⁾	PRC/ Mainland China March 15, 2011	USD 24,000,000	N/A	100%	Warehousing business
Jiangsu Friend Warehousing Co., Ltd. ⁽ⁱ⁾	PRC/ Mainland China August 14, 2003	RMB 371,320,077	N/A	100%	Warehousing business
Dongguan Hongshang Warehousing Service Co., Ltd. ⁽ⁱ⁾	PRC/ Mainland China June 24, 2013	USD 63,000,000	N/A	100%	Warehousing business
Tianjin Fanbin Warehousing Service Co., Ltd. ⁽ⁱ⁾	PRC/ Mainland China August 22, 2013	USD 29,200,000	N/A	100%	Warehousing business
Kendall Square Logistics Properties, Inc. ⁽ⁱⁱ⁾	South Korea December 16, 2014	KWR 9,000,000,000	N/A	100%	Investment and management
Redwood Asian Investment, Ltd. (“RAIL”) ⁽ⁱⁱⁱ⁾	Cayman Islands August 5, 2013	USD 1	100%	N/A	Investment and management
ESR Singapore Pte. Ltd. (formerly known as Redwood Group Asia PTE. Ltd., “ESR Singapore”) ⁽ⁱⁱⁱ⁾	Singapore November 27, 2007	USD 1	100%	N/A	Investment and management
ESR LTD (formerly known as Redwood Group Japan Ltd.) ^(iv)	Japan May 8, 2006	JPY 466,970,000	N/A	100%	Investment and management

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**1. CORPORATE INFORMATION (continued)**Information about subsidiaries (continued)

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sunwood Singapore Holding Pte. Ltd. ⁽ⁱⁱⁱ⁾	Singapore December 24, 2014	USD 149,457,336	N/A	95%	Investment and management
ESR Pte. Ltd. (formerly known as ESR Singapore Sub Pte. Ltd.) ⁽ⁱⁱⁱ⁾	Singapore May 26, 2017	AUD 308,885,207	95.5%	N/A	Investment and management
E-Shang Infinity Cayman Ltd. ⁽ⁱ⁾	Cayman Islands September 30, 2015	USD 35,243,934	N/A	100%	Investment and management
RW Higashi Ogishima TMK ("Higashi") ^(iv)	Japan January 26, 2016	JPY 12,652,350,000	N/A	70%	Warehousing business
Guangzhou Mingyue Warehousing Co., Ltd. ⁽ⁱ⁾	China December 6, 2012	RMB 76,000,000	N/A	58.5%	Warehousing business
ESR Funds Management (S) Limited	Singapore September 14, 2005	SGD 64,714,500	N/A	67.3%	Investment and management
ESR Property Management (S) Pte. Ltd.	Singapore November 4, 2005	SGD 250,000	N/A	100%	Investment and management
Shanghai Yurun Meat Food Co., Ltd. ⁽ⁱ⁾	PRC/ Mainland China June 3, 2010	RMB 650,000,000	N/A	74%	Warehousing business
Summit (BVI) Limited	BVI February 24, 2012	USD 1	N/A	100%	Investment and management
Tianjin Fanxin Warehousing Service Co., Ltd. ⁽ⁱ⁾	PRC/ Mainland China June 17, 2014	USD 16,500,000	N/A	90%	Warehousing business
Shenyang Yibei Warehousing Service Co., Ltd. ⁽ⁱ⁾	PRC/ Mainland China December 8, 2015	USD 15,000,000	N/A	100%	Warehousing business
Kendall Square Asset Management, Inc. ⁽ⁱⁱ⁾	South Korea September 1, 2016	KRW 2,500,000,000	N/A	100%	Investment and management
ESR HK Management Limited	Cayman Islands June 29, 2018	USD 100	100%	N/A	Investment and management
Propertylink Trust	Australia June 29, 2016	AUD 107,459,985	92.2%	N/A	Investment and management
Propertylink Australian Industrial Partnership	Australia June 29, 2016	AUD 103,540,351	92.2%	N/A	Investment and management
ESR Asset Management (Holdings) Limited (formerly known as PropertyLink (Holdings) Limited)	Australia May 3, 2000	AUD 94,400,327	92.2%	N/A	Investment and management
ESR Sachiura 3 TMK	Japan January 11, 2019	JPY 4,549,650,000	N/A	100%	Investment and management
ESR Sachiura 4 TMK	Japan January 11, 2019	JYP 4,679,750,000	N/A	100%	Investment and management

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**1. CORPORATE INFORMATION (continued)**Information about subsidiaries (continued)

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Lekun Warehousing (Wuxi) Co., Ltd.	PRC/ Mainland China November 5, 2014	USD 13,900,000	N/A	100%	Warehousing business
CIP Constructions (Australia) Pty Ltd (formerly known as Commercial & Industrial Property Pty Ltd)	Australia June 12, 2003	AUD 30,258,519	N/A	92.2%	Construction

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results during the Relevant Periods or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes:

- (i) The statutory financial statements of Shanghai e-Shang Warehousing Service Co., Ltd., Dongguan Huishang e-commerce Service Co., Ltd., Langfang Weidu International Logistic Co., Ltd., Jiangsu Friend Warehousing Co., Ltd., Dongguan Hongshang Warehousing Service Co., Ltd., Tianjin Fanbin Warehousing Service Co., Ltd. and Shenyang Yibei Warehousing Service Co., Ltd. for the years ended December 31, 2016, 2017 and 2018, of Guangzhou Mingyue Warehousing Co., Ltd. and Shanghai Yurun Meat Food Co., Ltd. for the years ended December 31, 2017 and 2018 and of Tianjin Fanxin Warehousing Service Co., Ltd. for the years ended December 31, 2018 prepared under PRC generally accepted accounting principles (PRC GAAP) and the statutory financial statements of E-Shang Infinity Cayman Ltd. for the years ended December 31, 2016, 2017 and 2018 prepared under International Accounting Standards were audited by Ernst & Young Hua Ming LLP.
- (ii) The statutory financial statements of Kendall Square Logistics Properties, Inc. for the years ended December 31, 2016, 2017 and 2018 and of Kendall Square Asset Management, Inc. for the period from September 1, 2016 to December 31, 2016 and the years ended December 31, 2017 and 2018 prepared under South Korea generally accepted accounting principles were audited by Ernst & Young Han Young.
- (iii) The statutory financial statements of ESR Pte. Ltd. for the period ended from May 26, 2017 to December 31, 2017, of Sunwood Singapore Holding Pte. Ltd. and ESR Singapore Pte. Ltd. for the years ended December 31, 2016, 2017 and 2018 prepared under Singapore generally accepted accounting principles and the statutory financial statements of Redwood Asian Investment, Ltd. for the years ended December 31, 2016, 2017 and 2018 prepared under International Accounting Standards were audited by Ernst & Young LLP.
- (iv) The statutory financial statements of RW Higashi Ogishima TMK for the year ended December 31, 2016 and of ESR LTD. for the years ended December 31, 2016, 2017 and 2018 prepared under Japan generally accepted accounting principles were audited by Ernst & Young ShinNihon LLC.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB").

IFRS 9 *Financial Instruments*, have been effective for the accounting period commencing from January 1, 2018.

IFRS 15 *Revenue from Contracts with Customers*, amendments to IFRS 15 *Clarifications to IFRS 15 Revenue from Contracts with Customers* and IFRS 16 *Leases* together with the relevant transitional provisions have been adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Period.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.1 BASIS OF PREPARATION (continued)**

The Historical Financial Information has been prepared under the historical cost convention, except for investment properties, available-for-sale instruments, financial assets at fair value through other comprehensive income and financial assets and liabilities at fair value through profit or loss, which have been measured at fair value.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2016, 2017, and 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.1 BASIS OF PREPARATION (continued)**Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURESAdoption of IFRS 9

The Group has adopted IFRS 9, effective for the period beginning on or after January 1, 2018. The Group has not restated financial information from January 1, 2016 to December 31, 2017 for financial instruments in the scope of IFRS 9. The financial information from January 1, 2016 to December 31, 2017 is reported under International Accounting Standard (“IAS”) 39 *Financial Instruments: Recognition and Measurement* and is not comparable to the information presented for 2018. The impacts relate to the classification and measurement and the impairment requirements and are summarized as follows:

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through other comprehensive income (“OCI”); equity instruments are subsequently measured at fair value through profit or loss, or fair value through OCI. The classification is based on two criteria: the Group’s business model for managing the assets; and whether the instruments’ contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

The assessment of the Group’s business model was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Group’s financial assets:

Trade and other receivables previously classified as receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortized cost.

Upon adoption of IFRS 9, the Group classified and measured all its publicly listed equity investments that were classified previously as available-for-sale (“AFS”) investments and financial assets at fair value through profit or loss, as equity instruments designated at fair value through OCI. In addition, an unquoted equity investments in a privately-held real estate company that was previously classified as AFS Investment is classified and measured now as equity instruments designated at fair

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)**Adoption of IFRS 9 (continued)**(a) Classification and measurement (continued)**

value through OCI. The Group elected to classify irrevocably its equity investments under this category as it intends to hold these investments for the foreseeable future. There were no impairment losses recognized in profit or loss for these investments in prior periods.

There are no changes in classification and measurement for the Group's financial liabilities.

In summary, upon the adoption of IFRS 9, the Group had the following required or elected reclassifications as at January 1, 2018:

<u>IAS 39 measurement category</u>		<u>IFRS 9 measurement category</u>		
		<u>Fair value through profit or loss</u>	<u>Amortized cost</u>	<u>Fair value through other comprehensive income</u>
	USD'000	USD'000	USD'000	USD'000
Financial assets				
Trade receivables	30,448	—	30,448	—
<i>Available-for-sale investments:</i>				
— Unquoted equity investments	8,327	—	—	8,327
— Listed equity investments	181,489	—	—	181,489
Financial assets at fair value through profit or loss	362,073	292,982	—	69,091
Pledged bank deposits	73,803	—	73,803	—
Cash and bank balances	526,988	—	526,988	—
Financial assets included in prepayments, other				
receivables and other assets	29,405	—	29,405	—
Other non-current assets	9,778	—	9,778	—
		<u>292,982</u>	<u>670,422</u>	<u>258,907</u>
Financial liabilities				
Trade and other payables	47,069	—	47,069	—
Interest-bearing bank and other borrowings	833,435	—	833,435	—
Other non-current liabilities	22,196	—	22,196	—
Redeemable convertible preference shares	264,199	—	264,199	—
Financial liabilities designated at fair value through				
profit or loss	13,671	<u>13,671</u>	<u>—</u>	<u>—</u>
		<u>13,671</u>	<u>1,166,899</u>	<u>—</u>

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon the adoption of IFRS 9, no additional impairment was recognized on the Group's financial assets.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs**

The Group has not adopted the following standards that have been issued but not yet effective, in the Historical Financial Information:

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
IFRS 17	<i>Insurance Contracts</i> ²
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i> ¹
Amendments to IFRS 3	<i>Definition of a Business</i> ⁴

¹ Effective for annual periods beginning on or after January 1, 2020

² Effective for annual periods beginning on or after January 1, 2021

³ No mandatory effective date yet determined but available for adoption

⁴ Effective for business combinations for which the acquisition date is on or after January 1, 2020 and to asset acquisition that occurs on or after the beginning of that period

The directors of the Company anticipate that the application of the new and revised IFRSs will have no significant financial impact to the Group's financial performance and financial positions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESInvestments in associates and joint ventures

An associate is an entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and other comprehensive income respectively. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Investments in associates and joint ventures (continued)

over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

If the Group's ownership interest in a joint venture is reduced, but investment continues to be classified either as a joint venture, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Business combinations and goodwill (continued)

assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, derivative financial instruments, available-for-sale investments at fair value, financial assets and liabilities at fair value through other comprehensive income and financial assets and liabilities at fair value through profit or loss at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1—Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2—Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3—Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each Relevant Periods as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

<u>Category</u>	<u>Estimated useful life</u>	<u>Estimated residual value</u>
Motor vehicles	4 years	10%
Machineries	20 years	0%
Leasehold improvements	5 years	0%
Others	3~5 years	10%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment property comprises completed property and property under construction.

Investment properties comprise completed property and property under construction or re-development held to earn rentals or for capital appreciation or both. Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the statement of profit or loss in the year in which they arise.

Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in profit or loss in the year of retirement or disposal.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Investment properties (continued)

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease.

Other intangible assets (other than goodwill)

Other intangible assets acquired separately are measured on initial recognition at cost. The cost of other intangible assets acquired in a business combination is the fair value at the date of the acquisition. The useful lives of other intangible assets are assessed to be finite. Other intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the other intangible asset may be impaired. The amortization period and the amortization method for another intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

The principal estimated useful lives of other intangible assets are as follows:

<u>Category</u>	<u>Estimated useful life</u>	<u>Estimated residual value</u>
Software	3 years	0%
Management contracts (note (i))	7 years	0%
Trust management rights (note (ii))	indefinite useful lives	0%
Customer contracts(note (iii))	3 years	0%
Others	indefinite useful lives	0%

Notes:

- (i) Management contracts have the amortization period of seven years based on the period covered by the management contracts.
- (ii) Trust management rights has an indefinite estimated useful life due to the fact that the related trusts in Singapore can exist perpetually. The impairment testing is performed by the end of each year. The recoverable amount of the trust management rights has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections of VITM, Infinitysub and Sabana Investment Partners Pte. Ltd. (the "SIP Group") asset management are 11.1%, 15% and 10.1%-10.3%, respectively. The growth rate used to extrapolate the cash flow of VITM, Infinitysub and SIP asset management beyond the five-year period are 1.2%, 3% and 1.0%, respectively. This growth rate is based on the average growth rate of the management fee in which the business operates. Senior management believes that this growth rate is justified. These calculations use pre-tax cash flow projections based on financial budgets approved by management.
- (iii) Customer contracts have the amortization period of three years based on the lifespan of the construction service period with the customers.

LeasesGroup as a lesseeRight-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Leases (continued)*Group as a lessee (continued)*

Right-of-use assets (continued)

accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Contingent rents are recognized as revenue in the period in which they are earned.

Financial instruments**Investments and other financial assets (under IFRS 9 applicable after January 1, 2018)***Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments (continued)**Investments and other financial assets (under IFRS 9 applicable after January 1, 2018) (continued)***Initial recognition and measurement (continued)*

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the assets.

*Subsequent measurement*Financial assets measured at amortized cost

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes trade receivables, and financial assets included in prepayments, other receivables and other assets.

Financial assets designated at fair value through OCI (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled in profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, it is

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments (continued)**Investments and other financial assets (under IFRS 9 applicable after January 1, 2018) (continued)***Subsequent measurement (continued)*Financial assets designated at fair value through OCI (equity investments) (continued)

probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

The Group elected to classify irrevocably its equity investments under this category.

Financial assets measured at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statements of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognized as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Investments and other financial assets (policies under IAS 39 applicable before January 1, 2018)*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments; as appropriate. When financial assets are recognized initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments (continued)**Investments and other financial assets (policies under IAS 39 applicable before January 1, 2018) (continued)***Initial recognition and measurement (continued)*

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognized in accordance with the policies set out for "Interest income" and "Dividend income" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments (continued)**Investments and other financial assets (policies under IAS 39 applicable before January 1, 2018) (continued)**Subsequent measurement (continued)Loans and receivables (continued)

includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in other income and gains in profit or loss. The loss arising from impairment is recognized in profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognized in profit or loss as other income in accordance with the policies set out for "Interest income" and "Dividend income" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments (continued)**Derecognition of financial assets (policies under IFRS 9 applicable from January 1, 2018 and policies under IAS 39 applicable before January 1, 2018)**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets (policies under IFRS 9 applicable from January 1, 2018)

The Group has types of financial assets subject to IFRS 9's new expected credit loss model:

- trade receivables; and
- other receivables.

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments (continued)**Impairment of financial assets (policies under IFRS 9 applicable from January 1, 2018) (continued)***General approach (continued)*

credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

The Group considers a financial asset in default when contractual payments are 150 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments (continued)**Impairment of financial assets (policies under IFRS 9 applicable from January 1, 2018) (continued)***Simplified approach*

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Impairment of financial assets (policies under IAS 39 applicable before January 1, 2018)

The Group assesses at the end of each Relevant Periods whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)***Financial instruments (continued)***Impairment of financial assets (policies under IAS 39 applicable before January 1, 2018) (continued)***Financial assets carried at amortized cost (continued)*

amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each Relevant Periods whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is removed from other comprehensive income and recognized in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss—measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss—is removed from other comprehensive income and recognized profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities (policies under IFRS 9 applicable from January 1, 2018 and IAS 39 applicable before January 1, 2018)*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments (continued)**Financial liabilities (policies under IFRS 9 applicable from January 1, 2018 and IAS 39 applicable before January 1, 2018) (continued)***Initial recognition and measurement (continued)*

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing bank loan and other borrowings, financial liabilities at fair value through profit or loss, derivative financial instruments and redeemable convertible preference shares.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

Derivative financial instruments

Warrant instruments are initially recognized as financial liability at fair value on the date on which the warrant instrument is issued and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair value of warrant instruments are taken directly in profit or loss.

Redeemable convertible instruments

The component of redeemable convertible instruments that exhibits characteristics of a liability is recognized as a liability in the consolidated statement of financial position, net of transaction costs. On issuance of redeemable convertible instruments, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long-term liability on the amortized cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the redeemable convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognized.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments (continued)**Financial liabilities (policies under IFRS 9 applicable from January 1, 2018 and IAS 39 applicable before January 1, 2018) (continued)**Subsequent measurement (continued)Redeemable convertible instruments (continued)

If the conversion option of a redeemable convertible instruments exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the instruments is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognized as the derivative component is recognized as the liability component. Transaction costs are apportioned between the liability and derivative components when the instruments are initially recognized. The portion of the transaction costs relating to the liability component is recognized initially as part of the liability. The portion relating to the derivative component is recognized immediately in profit or loss.

Preference shares

Preference share capital issued by certain subsidiaries of the Group is classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary. Discretionary dividends thereon are recognized as distributions within equity upon approval by the Group's shareholders.

Preference share capital issued by certain subsidiaries of the Group is classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary, and non-discretionary dividends thereon that are estimated based on profits or net assets of underlying issuers are recognized as fair value gains or losses in profit or loss.

Financial liabilities at fair value through profit or loss (policies under IAS 39 applicable before January 1, 2018)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in profit or loss. The net fair value gain or loss recognized in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments (continued)**Financial liabilities (policies under IFRS 9 applicable from January 1, 2018 and IAS 39 applicable before January 1, 2018) (continued)***Subsequent measurement (continued)*Reclassification of financial liabilities

The nature and risk profile of a financial instrument may change as a result of a change in circumstances. From the date of such change in circumstances, the derivative component of the instruments were reclassified from financial liability to equity (absent of any other terms requiring its continued classification as financial liability).

Derecognition of financial liabilities (policies under IFRS 9 applicable from January 1, 2018 and policies under IAS 39 applicable before January 1, 2018)

A financial liability is derecognized when the obligation under the liability is discharged or canceled, or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments (policies under IFRS 9 applicable from January 1, 2018 and policies under IAS 39 applicable before January 1, 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Cash and bank balances

For the purpose of the statements of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and restricted cash.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

The Group provides for warranties in relation to the sale of certain industrial products and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognized based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Income tax (continued)

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each Relevant Periods and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is acting as a

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Revenue from contracts with customers (continued)

principal in all of its revenue arrangements because it typically controls the goods or services before transferring them to the customer. The specific recognition criteria described below must also be met before revenue is recognized.

Management fee income

Management fee income comprise of base management fees, asset management fees and development management fees which are recognized over time and leasing fee income, acquisition fee income and promote fee which are recognized at point in time.

Base management fees are derived from the management of real estate investment funds or warehousing projects. Base management fee derived from the management of real estate investment funds is determined based on the total capital commitment or net equity invested as the case may be for these funds. Asset management fee derived from the management of warehousing projects is determined based on the fair value of properties.

Development management fee is earned on a straight-line basis in accordance with the relevant project construction cost across the entire construction period.

Leasing fee income relates to fees earned in consideration of the investment manager carrying out the leasing services for the real estate investment funds.

Acquisition fee income relates to fees earned in relation to the acquisition of properties by real estate investment funds. The acquisition fee income is determined based on the value of the properties acquired and is recognized when the services have been rendered.

Promote fee income is earned when the performance targets are met.

Solar energy income

Solar energy income is recognized based on direct measurements of the value to the customer of the services transferred to date according to contracts with the customer. Revenue are recognized based on price specified in the contracts and output delivered to customers.

Construction income

Construction income is recognized in accordance with the percentage of completion method measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract. The stage of completion is measured by reference to the completion of specific milestones in the construction process. On completion of each milestone, the recoverable costs incurred during the period plus the related fee earned corresponding to the particular milestone is recognized as revenue.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Revenue from other sources*Rental income*

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue.

Interest income

Interest income is accounted for on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income

Dividend income is recognized when the company's right to receive payment is established.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Share-based payment

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees of the Group receive remuneration in the form of share-based payment, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognized for equity-settled transactions at the end of each Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Share-based payment (continued)

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is canceled, it is treated as if it had vested on the date of cancelation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the canceled award, and is designated as a replacement award on the date that it is granted, the canceled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding option is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit and loss as they become payable in accordance with the rules of the central pension scheme.

The employees of the Group's subsidiaries which operate in Singapore are required to participate in a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which related services are rendered by the employees.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Borrowing costs (continued)

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalization rate ranging between 3.48% and 6.3% has been applied to the expenditure on the individual assets.

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the Historical Financial Information.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

Foreign currencies

The Company's functional currency is USD. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than USD. As at the end of the Relevant Periods, the assets and liabilities of these entities are translated into the

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Foreign currencies (continued)

presentation currency of the Company at the exchange rates prevailing at the end of the Relevant Periods and their statements of profit or loss are translated into USD at the weighted average exchange rates for the year.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

For the purpose of the consolidated statements of cash flows, the cash flows of overseas subsidiaries are translated into USD at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into USD at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Historical Financial Information:

Operating lease commitments—Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Deferred tax liabilities for withholding tax

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China (A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors). As at the end of each of the Relevant Periods, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and joint ventures established in Mainland China. No deferred taxation has been provided for the distributable retained profits of approximately USD4,904,000, USD1,747,000, USD3,766,000 and USD3,845,000 as at December 31, 2016, 2017,

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)**Judgement (continued)*Deferred tax liabilities for withholding tax (continued)*

2018 and at June 30, 2019, respectively which were derived from the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Whether the presumption that investment properties stated at fair value are recovered through sale or use in determining deferred tax

As of December 31, 2016, 2017, 2018 and June 30, 2019, deferred tax liabilities amounting to USD97,882,000, USD123,231,000, USD164,768,000 and USD157,769,000 have been provided for the revaluation of investment properties. The Group determines that these deferred tax liabilities are recognized based on the presumption that the investment properties stated at fair value are recovered through use rather than sale. Further details are given in note 30.

Consolidation of structured entities

The management makes significant judgment on whether to control and consolidate structured entities. The decision outcome impacts accounting methodologies in use and the financial and operational results of the Group.

When assessing control, the Group considers: (1) the level of control of the investor over the investee; (2) variable returns gained through participation of relevant activities of the investee; and (3) the amount of return gained from using its power over the investee.

When assessing the level of control over the structured entities, the Group considers the following four aspects:

- (1) the degree of participation when establishing the structured entities;
- (2) contractual arrangements;
- (3) activities that take place only at special occasions or occurring events; and
- (4) commitments made to the investee from the Group.

When assessing whether there is control over the structured entities, the Group also considers whether the decisions it makes are as a principal or as an agent. Aspects of considerations normally include the decision-making scope over the structured entities, substantive rights of third parties, reward of the Group, and the risk of undertaking variable returns from owning other benefits of the structured entities.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)**Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2016, 2017 and 2018 and June 30, 2019 were USD210,480,000, USD226,232,000, USD285,382,000 and USD 340,243,000. Further details are given in note 21.

Impairment of trade receivables

Before January 1, 2018, the provision policy for impairment of receivables of the Group is based on ongoing assessment of the recoverability and the aging analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realization of those receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required.

From January 1, 2018, the impairment loss in respect of trade and other receivables of the Group is based on the evaluation of collectability and aging analysis of trade and other receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realization of those receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of the debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses("ECLs") is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 24 and note 25.

Fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (1) current prices in an active market for properties of a different nature, condition or location or subject to different lease or other contracts, adjusted to reflect those differences;

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)**Estimation uncertainty (continued)*Fair value of investment properties (continued)*

- (2) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and
- (3) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at December 31, 2016, 2017 and 2018 and June 30, 2019 was USD942,929,000, USD1,189,203,000, USD1,885,502,000 and USD2,656,507,000, respectively. Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 20 to the Historical Financial Information.

Fair value of financial instruments

If the market for a financial instrument is not active, the Group estimates fair value by using a valuation technique. Valuation techniques include using recent prices in arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, or discounted cash flow analyzes and option pricing models. To the extent practicable, valuation technique makes the maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs.

Deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each of the Relevant Periods. Other intangible assets with indefinite life are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)**Estimation uncertainty (continued)*Impairment of non-financial assets (other than goodwill) (continued)*

disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. OPERATING SEGMENT INFORMATION

For fund management purposes, the Group is organized into business units based on their products and services and has three reportable operating segments as follows:

(a) the investment segment is divided into three main categories: (i) properties that the Group holds on balance sheet, from which the Group derives total return, including rental income and appreciation in value, (ii) co-investments funds and investment vehicles and the REIT the Group manages, from which the Group derives dividend income, pro rata earnings and/or pro rata value appreciation, and (iii) other investments.

(b) the fund management segment earns profitable and recurring fee income for managing assets on behalf of the Group's capital partners via funds and investment vehicles. The Group's fees include base management fees, asset fund management fees, acquisition fees, development fees and leasing fees, as well as promote fees upon reaching or exceeding certain target IRR.

(c) the development segment earns development profit through the continued development, construction and sale of investment properties. the Group also derives pro rata earnings and pro rata value appreciation through co-investments in the funds and investment vehicles the Group manages.

Fund management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, exchange gain, depreciation and amortisation, equity-settled share option expense, gain on deemed partial disposal of a joint venture as well as head office and corporate expenses are excluded from such measurement.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**4. OPERATING SEGMENT INFORMATION (continued)**

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	Year ended December 31, 2016			
	Investment	Fund management	Development	Total
	USD'000	USD'000	USD'000	USD'000
Segment Revenue	50,273	46,464	—	96,737
—Intersegment sales	—	2,212	—	2,212
	50,273	48,676	—	98,949
<i>Reconciliation:</i>				
Elimination of intersegment sales	—	(2,212)	—	(2,212)
Revenue from continuing operations	50,273	46,464	—	96,737
Operating expenses	(13,833)	(7,291)	(6,548)	(27,672)
Fair value gains on investment properties	100,799	—	5,760	106,559
Changes in fair value of financial assets and liabilities				
at fair value through profit or loss	2,936	—	23,792	26,728
Share of profits and losses of joint ventures	9,201	—	27,151	36,352
Gain on disposal of subsidiaries	—	—	32	32
Segment Result	149,376	39,173	50,187	238,736
<i>Reconciliation:</i>				
Depreciation and amortization				(6,059)
Exchange gain				916
Interest income				502
Other unallocated gains				408
Corporate and other unallocated expenses				(26,571)
Finance costs				(55,992)
Equity-settled share option expense				(75)
Fair value loss on derivative financial instruments				(12,133)
Profit before tax from continuing operations				139,732
Other segment information:				
Depreciation and amortization				(6,059)
Capital expenditure*				235,662
Investments in joint ventures				198,225

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**4. OPERATING SEGMENT INFORMATION (continued)**

	Year ended December 31, 2017			
	Investment	Fund management	Development	Total
	USD'000	USD'000	USD'000	USD'000
Segment Revenue	59,021	94,268	—	153,289
—Intersegment sales	—	2,064	—	2,064
	59,021	96,332	—	155,353
<i>Reconciliation:</i>				
Elimination of intersegment sales	—	(2,064)	—	(2,064)
Revenue from continuing operations	59,021	94,268	—	153,289
Operating expenses	(16,683)	(14,897)	(11,793)	(43,373)
Fair value gains on investment properties	95,179	—	100,039	195,218
Changes in fair value of financial assets and liabilities				
at fair value through profit or loss	24,242	—	8,497	32,739
Share of profits and losses of joint ventures	10,495	—	26,505	37,000
Gain on disposal of subsidiaries	—	—	38,311	38,311
Dividend income	10,679	—	—	10,679
Segment Result	182,933	79,371	161,559	423,863
<i>Reconciliation:</i>				
Depreciation and amortization				(8,061)
Exchange gain				4,431
Interest income				2,477
Other unallocated gains				234
Corporate and other unallocated expenses				(46,973)
Finance costs				(90,903)
Equity-settled share option expense				(11,923)
Gain on deemed partial disposal of a joint venture				29
Profit before tax from continuing operations				273,174
Other segment information:				
Depreciation and amortization				(8,061)
Capital expenditure*				328,892
Investments in joint ventures				313,081

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**4. OPERATING SEGMENT INFORMATION (continued)**

	Year ended December 31, 2018			
	Investment	Fund management	Development	Total
	USD'000	USD'000	USD'000	USD'000
Segment Revenue	77,904	135,579	40,665	254,148
—Intersegment sales	—	895	—	895
	77,904	136,474	40,665	255,043
<i>Reconciliation:</i>				
Elimination of intersegment sales	—	(895)	—	(895)
Revenue from continuing operations	77,904	135,579	40,665	254,148
Operating expenses	(22,887)	(25,978)	(57,544)	(106,409)
Fair value gains on investment properties	109,688	—	62,779	172,467
Changes in fair value of financial assets and liabilities at fair value through profit or loss	13,196	—	31,741	44,937
Share of profits and losses of joint venture and associate	30,172	—	35,200	65,372
Gain on disposal of subsidiaries	—	—	2,662	2,662
Dividend income	25,519	—	—	25,519
Segment Result	233,592	109,601	115,503	458,696
<i>Reconciliation:</i>				
Depreciation and amortization				(10,226)
Exchange loss				(869)
Interest income				1,530
Other unallocated gains				7,190
Corporate and other unallocated expenses				(57,648)
Finance costs				(104,929)
Equity-settled share option expense				(23,157)
Profit before tax from continuing operations				270,587
Other segment information:				
Depreciation and amortization				(10,226)
Capital expenditure*				646,396
Investments in joint ventures				404,699
Investments in associates				9,334

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**4. OPERATING SEGMENT INFORMATION (continued)**

	Six months ended June 30, 2018 (unaudited)			
	Investment	Fund management	Development	Total
	USD'000	USD'000	USD'000	USD'000
Segment Revenue	34,657	59,033	—	93,690
—Intersegment sales	—	285	—	285
	34,657	59,318	—	93,975
<i>Reconciliation:</i>				
Elimination of intersegment sales	—	(285)	—	(285)
Revenue from continuing operations	34,657	59,033	—	93,690
Operating expenses	(8,047)	(11,803)	(4,626)	(24,476)
Fair value gains on investment properties	37,396	—	8,761	46,157
Changes in fair value of financial assets and liabilities at fair value through profit or loss	2,355	—	16,014	18,369
Share of profits and losses of joint venture and associate	2,742	—	12,059	14,801
Dividend income	9,771	—	—	9,771
Segment Result	78,874	47,230	32,208	158,312
<i>Reconciliation:</i>				
Depreciation and amortization				(4,655)
Exchange loss				(41)
Interest income				985
Other unallocated gains				653
Corporate and other unallocated expenses				(16,388)
Finance costs				(45,943)
Equity-settled share option expense				(11,961)
Profit before tax from continuing operations				80,962
Other segment information:				
Depreciation and amortization				(4,655)
Capital expenditure*				423,259
Investments in joint ventures				336,077
Investments in associates				—

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

4. OPERATING SEGMENT INFORMATION (continued)

Six months ended June 30, 2019				
	Investment	Fund management	Development	Total
	USD'000	USD'000	USD'000	USD'000
Segment Revenue	56,318	61,784	37,661	155,763
—Intersegment sales	—	93	—	93
	56,318	61,877	37,661	155,856
<i>Reconciliation:</i>				
Elimination of intersegment sales	—	(93)	—	(93)
Revenue from continuing operations	56,318	61,784	37,661	155,763
Operating expenses	(13,387)	(12,467)	(51,305)	(77,159)
Fair value gains on investment properties	26,800	—	76,761	103,561
Changes in fair value of financial assets and liabilities at fair value through profit or loss	711	—	22,107	22,818
Share of profits and losses of joint ventures and an associate, net	17,034	557	726	18,317
Gain on disposal of subsidiaries	—	—	16,495	16,495
Dividend income	11,848	—	—	11,848
Segment Result	99,324	49,874	102,445	251,643
<i>Reconciliation:</i>				
Depreciation and amortization				(7,296)
Exchange loss				(1,761)
Interest income				1,768
Other unallocated gains				379
Corporate and other unallocated expenses				(28,772)
Finance costs				(83,363)
Equity-settled share option expense				(9,885)
Profit before tax from continuing operations				122,713
Other segment information:				
Depreciation and amortization				(7,296)
Capital expenditure*				962,700
Investments in joint ventures				526,085

* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets including assets from the acquisition of a subsidiary.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**4. OPERATING SEGMENT INFORMATION (continued)**Geographical information

(a) Revenue from external customers

	Year ended December 31			Six months ended June 30	
	2016	2017	2018	2018	2019
	USD'000	USD'000	USD'000	USD'000 (unaudited)	USD'000
Mainland China	62,026	73,303	89,008	44,835	44,897
Singapore	—	10,611	21,701	5,994	8,614
Japan	24,453	50,441	64,325	24,830	31,740
India	—	—	—	—	1,016
South Korea	10,258	18,934	37,861	18,031	15,581
Australia	—	—	41,253	—	53,915
	<u>96,737</u>	<u>153,289</u>	<u>254,148</u>	<u>93,690</u>	<u>155,763</u>

The revenue information of continuing operations above is based on the locations of the assets.

(b) Non-current assets

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Mainland China	1,137,544	1,407,428	1,701,925	1,640,662
Singapore	88	45,539	104,382	138,778
Japan	238,359	256,940	645,027	868,027
South Korea	57,073	114,341	180,798	206,203
India	—	—	—	10,379
Australia	—	—	96,790	829,860
	<u>1,433,064</u>	<u>1,824,248</u>	<u>2,728,922</u>	<u>3,693,909</u>

The non-current asset information of continuing operations above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Since no revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the Relevant Periods, no major customer information is presented in accordance with IFRS 8 *Operating Segments*.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**5. REVENUE, OTHER INCOME AND GAINS****(a) Revenue**

An analysis of revenue is as follows:

	Year ended December 31			Six months ended June 30	
	2016	2017	2018	2018	2019
	USD'000	USD'000	USD'000	USD'000 (unaudited)	USD'000
Rental income	50,273	57,844	74,311	32,678	54,954
Management fee income	46,464	94,268	135,579	59,033	61,784
Construction income	—	—	40,665	—	37,661
Solar energy income	—	1,177	3,593	1,979	1,364
Total	<u>96,737</u>	<u>153,289</u>	<u>254,148</u>	<u>93,690</u>	<u>155,763</u>

Timing of revenue recognition

	Year ended December 31			Six months ended June 30	
	2016	2017	2018	2018	2019
	USD'000	USD'000	USD'000	USD'000 (unaudited)	USD'000
Rental income	50,273	57,844	74,311	32,678	54,954
<u>Point in time</u>					
Management fee income	11,151	15,811	45,273	29,865	13,962
<u>Over time</u>					
Management fee income	35,313	78,457	90,306	29,168	47,822
Construction income	—	—	40,665	—	37,661
Solar energy income	—	1,177	3,593	1,979	1,364
	<u>96,737</u>	<u>153,289</u>	<u>254,148</u>	<u>93,690</u>	<u>155,763</u>

Performance obligations

Information about the Group's performance obligations is summarized below:

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Management services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Management service contracts are for periods of one year or less, or are billed based on the time incurred.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**5. REVENUE, OTHER INCOME AND GAINS (continued)****(a) Revenue (continued)***Performance obligations (continued)*

Solar energy sales

The performance obligation is satisfied upon delivery of the industrial products and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at June 30, 2019 and December 31, 2018 are as follows:

	December 31, 2018	June 30, 2019
	USD'000	USD'000
Within one year	46,460	72,005
More than one year	2,100	30,208
	<u>48,560</u>	<u>102,213</u>

The remaining performance obligations relate to construction services that are normally to be satisfied within one year, of which the amounts disclosed above do not include variable consideration which is constrained; and promote fee relate to management services which management has exercised judgment in applying constraint on the recognition of the promote fee income in 2018 and 2019.

There are no transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, 2016 and 2017.

(b) Other income and gains

	Year ended December 31			Six months ended June 30	
	2016	2017	2018	2018	2019
	USD'000	USD'000	USD'000	USD'000 (unaudited)	USD'000
Fair value gains on completed investment properties	100,799	95,179	109,688	37,396	26,800
Fair value gains on investment properties under construction	5,760	100,039	62,779	8,761	76,761
Changes in fair value of financial assets and liabilities at fair value through profit or loss ...	26,728	32,739	44,937	18,369	22,818
Gain on disposal of subsidiaries	32	38,311	2,662	—	16,495
Gain on remeasurement of investment in associate to fair value	—	—	—	—	8,556
Interest income	502	2,477	1,530	985	1,768
Dividend income	—	10,679	25,519	9,771	11,848
Exchange gain	916	4,431	—	—	—
Gain on deemed partial disposal of a joint venture	—	29	—	—	—
Others	408	234	7,190	383	379
	<u>135,145</u>	<u>284,118</u>	<u>254,305</u>	<u>75,665</u>	<u>165,425</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**6. PROFIT BEFORE TAX**

The Group's profit before tax is arrived at after charging/(crediting):

(a) Employee benefit expense

	Year ended December 31			Six months ended June 30	
	2016	2017	2018	2018	2019
	USD'000	USD'000	USD'000	USD'000 (unaudited)	USD'000
Wages and salaries (including directors' and chief executive's remuneration)	25,333	37,512	52,412	17,457	31,353
Equity-settled share option expense (note 43)	75	11,923	23,157	11,961	9,885
Pension scheme contributions	847	1,843	3,890	2,019	2,531
	<u>26,255</u>	<u>51,278</u>	<u>79,459</u>	<u>31,437</u>	<u>43,769</u>

(b) Other items

	Year ended December 31			Six months ended June 30	
	2016	2017	2018	2018	2019
	USD'000	USD'000	USD'000	USD'000 (unaudited)	USD'000
Other tax expenses	4,114	6,137	8,884	3,576	4,608
Professional service fee	11,381	21,660	21,584	8,462	19,910
Auditor's remuneration	582	479	858	141	442
Exchange losses	—	—	869	41	1,761
Entertainment fee	1,026	1,507	2,052	755	1,017
Depreciation of property, plant and equipment	648	1,242	1,812	824	2,063
Amortization of other intangible assets	3,799	4,204	5,089	2,168	3,034
Depreciation of right-of-use assets	1,612	2,615	3,325	1,663	2,199
Fair value gains on investment properties . . .	(106,559)	(195,218)	(172,467)	(46,157)	(103,561)
Construction cost*	—	—	39,645	—	36,978
Loss on disposal of items of property, plant and equipment	<u>74</u>	<u>81</u>	<u>9,697</u>	<u>148</u>	<u>316</u>

* The construction cost for the years ended December 31, 2016, 2017, 2018 and six months ended June 30, 2018 and 2019 is included in "Cost of sales" in the consolidated statements of profit or loss and other comprehensive income.

7. FINANCE COSTS

	Year ended December 31			Six months ended June 30	
	2016	2017	2018	2018	2019
	USD'000	USD'000	USD'000	USD'000 (unaudited)	USD'000
Interest expense on bank loans	24,491	35,666	39,603	12,926	34,843
Interest expense on other borrowings	37,707	18,339	21,718	10,334	12,231
Interest expense on bonds	—	—	—	—	11,102
interest expense on lease liabilities	97	291	428	192	701
Interest on redeemable convertible preference shares (note (i))	—	41,327	45,610	23,318	26,101
	<u>62,295</u>	<u>95,623</u>	<u>107,359</u>	<u>46,770</u>	<u>84,978</u>
Less: Interest capitalized	<u>(6,303)</u>	<u>(4,720)</u>	<u>(2,430)</u>	<u>(827)</u>	<u>(1,615)</u>
	<u>55,992</u>	<u>90,903</u>	<u>104,929</u>	<u>45,943</u>	<u>83,363</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**7. FINANCE COSTS (continued)**

Note:

- (i) For the years ended December 31, 2016, 2017, 2018 and six months ended June 30, 2018 and 2019, interest on redeemable convertible preference shares includes dividend on redeemable convertible preference shares amounting to nil, USD12,960,000, USD12,960,000, USD6,480,000, USD6,480,000 respectively, and costs associated with the equity element of the Class C Preference Shares amounting to nil, USD28,367,000, USD32,650,000, USD16,838,000, USD19,621,000 respectively.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the Relevant Periods was as follows:

	Year ended December 31			Six months ended June 30	
	2016	2017	2018	2018	2019
	USD'000	USD'000	USD'000	USD'000 (unaudited)	USD'000
Consulting fee (note (i))	3,481	3,495	3,846	1,923	1,931
Salaries, allowances and benefits in kind	986	758	765	367	364
Equity-settled share option expense (note (ii)) . . .	—	10,038	7,599	2,617	2,633
Pension scheme contributions	41	38	38	18	10
	<u>4,508</u>	<u>14,329</u>	<u>12,248</u>	<u>4,925</u>	<u>4,938</u>

Notes:

- (i) This represents the consulting fee paid by the Group to Redwood Consulting (Cayman) Limited ("Redwood Consulting") and other entities that are associated with the executive directors.
- (ii) These equity-settled share options are granted to Redwood Consulting and an entity associated with Jinchu Shen.

During the Relevant Periods, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 44 to the Historical Financial Information. The fair value of such options, which has been recognized in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The Company did not have any independent non-executive directors at any time during the Relevant Periods. The Company has identified Mr. Brett Harold Krause, Mr. Robin Tom Holdsworth, The Right Honorable Sir Hugo George William Swire, KCMG, MP, Mr. Simon James McDonald and Ms. Liu Jingsheng as independent non-executive directors of the Company as at the date of this report.

There were no emoluments payable to the independent non-executive directors during the Relevant Periods.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors and non-executive directors

	Year ended December 31, 2016			
	Consulting fee	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	USD'000	USD'000	USD'000	USD'000
Executive directors:				
Jinchu Shen (沈晉初)	—	145	16	161
Stuart Gibson	—	342	—	342
Charles Alexander Portes	—	342	9	351
Dongping Sun (孫冬平)	—	157	16	173
	—	986	41	1,027
Entities associated with the executive directors:				
Entity associated with Jinchu Shen	934	—	—	934
Entity associated with Dongping Sun	934	—	—	934
Redwood Consulting	1,613	—	—	1,613
	3,481	—	—	3,481
Non-executive directors:				
Jeffrey David Perlman	—	—	—	—
Joseph Raymond Gagnon	—	—	—	—
Sachin Doshi	—	—	—	—
Dominic James Doran (note (i))	—	—	—	—
Thomas Patrick Heneghan	—	—	—	—
Chen Hongpei (note (i))	—	—	—	—
Yijun Xu (note (i))	—	—	—	—
Juan Liu (note (i))	—	—	—	—
	—	—	—	—
	3,481	986	41	4,508

Note:

- (i) Dominic James Doran resigned on January 19, 2016. Thomas Patrick Heneghan was appointed on January 20, 2016 and resigned on December 30, 2016. Chen Hongpei was appointed on January 19, 2016. Yijun Xu was appointed on December 30, 2016 and Juan Liu was appointed on December 30, 2016.

	Year ended December 31, 2017				
	Consulting fee	Salaries, allowances and benefits in kind	Equity-settled share option expense	Pension scheme contributions	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Executive directors:					
Jinchu Shen (沈晉初)	—	71	—	19	90
Stuart Gibson	—	320	—	—	320
Charles Alexander Portes	—	320	—	9	329
Dongping Sun (孫冬平) (note (i))	—	47	—	10	57
	—	758	—	38	796
Entities associated with the executive directors:					
Entities associated with Jinchu Shen	934	—	1,882	—	2,816
Entity associated with Dongping Sun	623	—	—	—	623
Redwood Consulting	1,938	—	8,156	—	10,094
	3,495	—	10,038	—	13,533
Non-executive directors:					
Jeffrey David Perlman	—	—	—	—	—
Joseph Raymond Gagnon	—	—	—	—	—
Sachin Doshi (note (ii))	—	—	—	—	—
Chen Hongpei	—	—	—	—	—
Yijun Xu	—	—	—	—	—
Juan Liu (note (ii))	—	—	—	—	—
Willem Albertus Hazeleger (note (ii))	—	—	—	—	—
Ho Jeong Lee (note (ii))	—	—	—	—	—
	—	—	—	—	—
	3,495	758	10,038	38	14,329

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)****(b) Executive directors and non-executive directors (continued)***Notes:*

(i) Mr. Dongping Sun (孫冬平) resigned on August 18, 2017.

(ii) Sachin Doshi resigned on July 21, 2017. Juan Liu resigned on January 10, 2017. Ho Jeong Lee was appointed on August 3, 2017 and Willem Albertus Hazeleger was appointed on July 21, 2017.

	Year ended December 31, 2018				
	Consulting fee	Salaries, allowances and benefits in kind	Equity- settled share option expense	Pension scheme contributions	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Executive directors:					
Jinchu Shen (沈晉初)	—	125	—	27	152
Stuart Gibson	—	320	—	—	320
Charles Alexander Portes	—	320	—	11	331
	—	765	—	38	803
Entities associated with the executive directors:					
Entity associated with Jinchu Shen	1,426	—	1,425	—	2,851
Redwood Consulting	2,420	—	6,174	—	8,594
	3,846	—	7,599	—	11,445
Non-executive directors:					
Jeffrey David Perlman	—	—	—	—	—
Joseph Raymond Gagnon	—	—	—	—	—
Zhenhui Wang (王振輝) (note (i))	—	—	—	—	—
Ho Jeong Lee	—	—	—	—	—
Willem Albertus Hazeleger	—	—	—	—	—
Chen Hongpei	—	—	—	—	—
Yijun Xu	—	—	—	—	—
Graeme Torre (note (i))	—	—	—	—	—
	3,846	765	7,599	38	12,248

Note:

(i) Zhenhui Wang was appointed on May 10, 2018 and Graeme Torre was appointed on July 11, 2018.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)****(b) Executive directors and non-executive directors (continued)**

	Six months ended June 30, 2018 (unaudited)				
	Consulting fee	Salaries, allowances and benefits in kind	Equity-settled share option expense	Pension scheme contributions	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Executive directors:					
Jinchu Shen (沈晉初)	—	47	—	13	60
Stuart Gibson	—	160	—	—	160
Charles Alexander Portes	—	160	—	5	165
	—	367	—	18	385
Entities associated with the executive directors:					
Entity associated with Jinchu Shen	713	—	491	—	1,204
Redwood Consulting	1,210	—	2,126	—	3,336
	1,923	—	2,617	—	4,540
Non-executive directors:					
Jeffrey David Perlman	—	—	—	—	—
Joseph Raymond Gagnon	—	—	—	—	—
Zhenhui Wang (王振輝) (note (i))	—	—	—	—	—
Ho Jeong Lee	—	—	—	—	—
Willem Albertus Hazeleger	—	—	—	—	—
Chen Hongpei	—	—	—	—	—
Yijun Xu	—	—	—	—	—
	—	—	—	—	—
	1,923	367	2,617	18	4,925

Note:

(i) Zhenhui Wang was appointed on May 10, 2018.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)**

(b) Executive directors and non-executive directors (continued)

	Six months ended June 30, 2019				
	Consulting fee	Salaries, allowances and benefits in kind	Equity-settled share option expense	Pension scheme contributions	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
Executive directors:					
Jinchu Shen (沈晉初)	—	44	—	5	49
Stuart Gibson	—	160	—	—	160
Charles Alexander Portes	—	160	—	5	165
	—	364	—	10	374
Entities associated with the executive directors:					
Entity associated with Jinchu Shen	721	—	494	—	1,215
Redwood Consulting	1,210	—	2,139	—	3,349
	1,931	—	2,633	—	4,564
Non-executive directors:					
Jeffrey David Perlman	—	—	—	—	—
Joseph Raymond Gagnon	—	—	—	—	—
Zhenhui Wang (王振輝)	—	—	—	—	—
Ho Jeong Lee	—	—	—	—	—
Willem Albertus Hazeleger	—	—	—	—	—
Chen Hongpei	—	—	—	—	—
Yijun Xu	—	—	—	—	—
Graeme Torre	—	—	—	—	—
	—	—	—	—	—
	—	—	—	—	—
	1,931	364	2,633	10	4,938

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

Details of directors' remuneration are set out in note 8. Details of the remuneration of the remaining 1, 2, and 2 highest paid employees who are neither a director nor chief executive of the Company for the Relevant Periods and six months ended June 30, 2018 as follows:

	Year ended December 31			Six months ended June 30	
	2016	2017	2018	2018	2019
	USD'000	USD'000	USD'000	USD'000 (unaudited)	USD'000
Salaries, allowances and benefits in kind	852	1,501	1,601	589	842
Equity-settled share option expense	—	—	1,656	452	324
Pension scheme contributions	14	13	13	5	—
	866	1,514	3,270	1,046	1,166

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**9. FIVE HIGHEST PAID EMPLOYEES (continued)**

The numbers of non-director highest paid employees whose remuneration fell within the following band are as follows:

	Number of employees				
	Year ended December 31			Six months ended June 30	
	2016	2017	2018	2018 (unaudited)	2019
HK\$ 2,500,001 to HK\$3,000,000	—	—	—	1	—
HK\$ 4,500,001 to HK\$5,000,000	—	—	—	—	2
HK\$ 5,500,001 to HK\$6,000,000	—	2	—	1	—
HK\$ 6,500,001 to HK\$7,000,000	1	—	—	—	—
HK\$ 9,500,001 to HK\$10,000,000	—	—	1	—	—
HK\$ 15,500,001 to HK\$16,000,000	—	—	1	—	—
	<u>1</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

During the Relevant Periods, share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 44 to the Historical Financial Information. The fair value of such options, which has been recognized in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX EXPENSE

	Year ended December 31			Six months ended June 30	
	2016	2017	2018	2018	2019
	USD'000	USD'000	USD'000	USD'000 (unaudited)	USD'000
Current tax	643	20,131	13,871	6,173	17,577
Deferred tax (note 30)	<u>34,245</u>	<u>52,209</u>	<u>43,838</u>	<u>11,098</u>	<u>21,059</u>
	<u>34,888</u>	<u>72,340</u>	<u>57,709</u>	<u>17,271</u>	<u>38,636</u>

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Law and is exempted from the payment of Cayman Islands income tax.

The subsidiaries incorporated in the BVI are not subject to income tax as these subsidiaries do not have a place of business (other than a registered office only) nor conduct on any business in the BVI.

Hong Kong profits tax has been provided at the rate of 16.5% on the assessable profits arising in Hong Kong during the Relevant Periods and the six months ended June 30, 2018.

The subsidiary incorporated in Singapore is subject to Singapore income tax at the rate of 17% on the profits including those arising from sources outside Singapore and received in Singapore during the Relevant Periods and the six months ended June 30, 2018.

The subsidiaries incorporated in South Korea are subject to Korean income tax at the rate of 24% during the Relevant Periods and the six months ended June 30, 2018.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**10. INCOME TAX EXPENSE (continued)**

The subsidiaries incorporated in Japan are subject to Japan income tax at the rate of 30.86% during the Relevant Periods and the six months ended June 30, 2018.

The subsidiaries incorporated in Australia are subject to Australian income tax at the rate of 30% during the Relevant Periods and the six months ended June 30, 2018.

The subsidiaries incorporated in India are subject to Indian income tax at the rate of 30% during the Relevant Periods and the six months ended June 30, 2018.

According to the Corporate Income Tax ("CIT") Law of the People's Republic of China, the income tax rates for both domestic and foreign investment enterprises in Mainland China were unified at 25% during the Relevant Periods and the six months ended June 30, 2018.

A reconciliation of the tax expense applicable to profit before tax using the applicable rate for the region in which the Group and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	Year ended December 31			Six months ended June 30	
	2016	2017	2018	2018	2019
	USD'000	USD'000	USD'000	USD'000 (unaudited)	USD'000
Profit before tax	139,732	273,174	270,587	80,962	122,713
Tax at the statutory tax rate	35,108	72,917	62,058	17,556	23,865
Profits attributable to joint ventures	(1,571)	(1,640)	(7,641)	(1,046)	(2,190)
Income not subject to tax	—	(267)	—	—	—
Non-deductible expenses	1,351	1,528	3,292	761	1,358
Unrecognized deductible temporary differences	—	(198)	—	—	134
Effect of withholding tax	—	—	—	—	15,469
Tax charge	34,888	72,340	57,709	17,271	38,636

The share of tax attributable to joint ventures of USD1,571,000, USD1,640,000, USD7,641,000 and USD2,190,000 as at December 31, 2016, 2017, 2018 and June 30, 2019 respectively, is included in "Share of profits and losses of joint ventures" in the consolidated statements of profit or loss and other comprehensive income.

11. DIVIDENDS

No dividend has been paid or declared by the Company to its ordinary shareholders since its date of incorporation.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year/period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during each of the Relevant Periods and six months ended June 30, 2018.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)**

The calculation of the diluted earnings per share amounts is based on the profit for the year/period attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the preference shares where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the Relevant Periods and six months ended June 30, 2018, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	Year ended December 31			Six months ended June 30	
	2016	2017	2018	2018	2019
	USD'000	USD'000	USD'000	USD'000 (unaudited)	USD'000
Earnings:					
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	88,267	186,265	203,042	61,793	75,950

	Year ended December 31			Six months ended June 30	
	2016	2017	2018	2018	2019
	'000	'000	'000	'000 (unaudited)	'000
Number of shares:					
Weighted average number of ordinary shares in issue during the year/period, used in the basic earnings per share calculation	1,947,958	2,081,185	2,566,494	2,455,805	2,688,920
Effect of dilution—weighted average number of ordinary shares					
Derivative financial instruments	54,685	54,685	2,847	2,847	—
Share options	2,563	20,388	78,944	77,465	71,697
	<u>2,005,206</u>	<u>2,156,258</u>	<u>2,648,285</u>	<u>2,536,117</u>	<u>2,760,617</u>

- * Because the diluted earnings per share amount is increased when taking redeemable convertible preference shares into account, the redeemable convertible preference shares had an anti-dilutive effect on the basic earnings per share for the Relevant Periods and six months ended June 30, 2018 and were ignored in the calculation of diluted earnings per share.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Motor vehicles USD'000	Leasehold improvements USD'000	Others USD'000	TOTAL USD'000
December 31, 2016				
At December 31, 2015 and at January 1, 2016:				
Cost	317	581	686	1,584
Accumulated depreciation	(37)	(171)	(272)	(480)
Net carrying amount	<u>280</u>	<u>410</u>	<u>414</u>	<u>1,104</u>
At January 1, 2016, net of accumulated depreciation	280	410	414	1,104
Additions	—	643	918	1,561
Acquisition of subsidiaries (note 35)	—	332	116	448
Disposals	—	—	(74)	(74)
Depreciation provided during the year	(68)	(387)	(193)	(648)
Exchange realignment	(15)	(22)	92	55
At December 31, 2016, net of accumulated depreciation ...	<u>197</u>	<u>976</u>	<u>1,273</u>	<u>2,446</u>
At December 31, 2016:				
Cost	298	1,429	1,931	3,658
Accumulated depreciation	(101)	(453)	(658)	(1,212)
Net carrying amount	<u>197</u>	<u>976</u>	<u>1,273</u>	<u>2,446</u>

	Motor vehicles USD'000	Machineries USD'000	Leasehold improvements USD'000	Others USD'000	Construction in process USD'000	TOTAL USD'000
December 31, 2017						
At December 31, 2016 and at January 1, 2017:						
Cost	298	—	1,429	1,931	—	3,658
Accumulated depreciation	(101)	—	(453)	(658)	—	(1,212)
Net carrying amount	<u>197</u>	<u>—</u>	<u>976</u>	<u>1,273</u>	<u>—</u>	<u>2,446</u>
At January 1, 2017, net of accumulated depreciation	197	—	976	1,273	—	2,446
Additions	—	6,736	8	795	8,418	15,957
Acquisition of subsidiaries (note 35)	—	—	59	120	—	179
Disposals	(79)	—	—	(2)	—	(81)
Disposal of subsidiaries (note 37)	—	—	—	(3)	—	(3)
Depreciation provided during the year	(54)	(341)	(346)	(501)	—	(1,242)
Exchange realignment	8	—	11	85	—	104
At December 31, 2017, net of accumulated depreciation	<u>72</u>	<u>6,395</u>	<u>708</u>	<u>1,767</u>	<u>8,418</u>	<u>17,360</u>
At December 31, 2017:						
Cost	235	6,736	1,585	2,992	8,418	19,966
Accumulated depreciation	(163)	(341)	(877)	(1,225)	—	(2,606)
Net carrying amount	<u>72</u>	<u>6,395</u>	<u>708</u>	<u>1,767</u>	<u>8,418</u>	<u>17,360</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**13. PROPERTY, PLANT AND EQUIPMENT (continued)**

Group (continued)

	<u>Motor vehicles</u>	<u>Machineries</u>	<u>Leasehold improvements</u>	<u>Others</u>	<u>Construction in process</u>	<u>TOTAL</u>
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
December 31, 2018						
At December 31, 2017 and at January 1, 2018:						
Cost	235	6,736	1,585	2,992	8,418	19,966
Accumulated depreciation	(163)	(341)	(877)	(1,225)	—	(2,606)
Net carrying amount	<u>72</u>	<u>6,395</u>	<u>708</u>	<u>1,767</u>	<u>8,418</u>	<u>17,360</u>
At January 1, 2018, net of accumulated depreciation	72	6,395	708	1,767	8,418	17,360
Additions	29	—	293	628	12,279	13,229
Acquisition of subsidiaries (note 35)	268	—	1,446	367	—	2,081
Disposals	(13)	(9,632)	—	(52)	—	(9,697)
Depreciation provided during the year	(57)	(948)	(293)	(514)	—	(1,812)
Transfer from construction in progress	—	20,697	—	—	(20,697)	—
Exchange realignment	<u>(14)</u>	<u>—</u>	<u>(71)</u>	<u>(15)</u>	<u>—</u>	<u>(100)</u>
At December 31, 2018, net of accumulated depreciation	<u>285</u>	<u>16,512</u>	<u>2,083</u>	<u>2,181</u>	<u>—</u>	<u>21,061</u>
At December 31, 2018:						
Cost	670	17,802	3,376	5,189	—	27,037
Accumulated depreciation	(385)	(1,290)	(1,293)	(3,008)	—	(5,976)
Net carrying amount	<u>285</u>	<u>16,512</u>	<u>2,083</u>	<u>2,181</u>	<u>—</u>	<u>21,061</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**13. PROPERTY, PLANT AND EQUIPMENT (continued)**

Group (continued)

	<u>Motor vehicles</u> USD'000	<u>Machineries</u> USD'000	<u>Leasehold improvements</u> USD'000	<u>Others</u> USD'000	<u>TOTAL</u> USD'000
June 30, 2019					
At December 31, 2018 and at January 1, 2019:					
Cost	670	17,802	3,376	5,189	27,037
Accumulated depreciation	(385)	(1,290)	(1,293)	(3,008)	(5,976)
Net carrying amount	<u>285</u>	<u>16,512</u>	<u>2,083</u>	<u>2,181</u>	<u>21,061</u>
At January 1, 2019, net of accumulated depreciation	285	16,512	2,083	2,181	21,061
Additions	—	3,956	314	1,170	5,440
Acquisition of subsidiaries (note 35)	—	—	166	60	226
Disposals	—	(238)	(48)	(30)	(316)
Disposal of subsidiaries (note 37)	—	—	—	(2)	(2)
Depreciation provided during the period	(42)	(544)	(1,068)	(409)	(2,063)
Exchange realignment	<u>(3)</u>	<u>—</u>	<u>(14)</u>	<u>(15)</u>	<u>(32)</u>
At June 30, 2019, net of accumulated depreciation	<u>240</u>	<u>19,686</u>	<u>1,433</u>	<u>2,955</u>	<u>24,314</u>
At June 30, 2019:					
Cost	663	21,520	4,118	6,800	33,101
Accumulated depreciation	(423)	(1,834)	(2,685)	(3,845)	(8,787)
Net carrying amount	<u>240</u>	<u>19,686</u>	<u>1,433</u>	<u>2,955</u>	<u>24,314</u>

Certain of the Group's property, plant and equipment with a carrying amount of nil, USD6,395,000, USD16,512,000 and USD19,686,000 as at December 31, 2016, 2017 and 2018 and June 30, 2019 were pledged to secure bank loans and other borrowings granted to the Group as disclosed in note 27.

Company

	<u>Others</u> USD'000
December 31, 2018	
At January 1, 2018, net of accumulated depreciation	—
Additions	364
Depreciation provided during the period	<u>(6)</u>
At December 31, 2018, net of accumulated depreciation	<u>358</u>
At December 31, 2018:	
Cost	364
Accumulated depreciation	<u>(6)</u>
Net carrying amount	<u>358</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**13. PROPERTY, PLANT AND EQUIPMENT (continued)****Company (continued)**

	<u>Others</u> USD'000
June 30, 2019	
At January 1, 2019	
Cost	364
Accumulated depreciation	(6)
Net carrying amount	<u>358</u>
At January 1, 2019, net of accumulated depreciation	358
Additions	65
Depreciation provided during the period	(62)
At June 30, 2019, net of accumulated depreciation	<u>361</u>
At June 30, 2019:	
Cost	429
Accumulated depreciation	(68)
Net carrying amount	<u>361</u>

14. RIGHT-OF-USE ASSETS

	<u>Office premise</u> USD'000
December 31, 2016	
At January 1, 2016:	
Cost	2,067
Accumulated depreciation	(908)
Net carrying amount	<u>1,159</u>
At January 1, 2016, net of accumulated depreciation	1,159
Additions	4,660
Depreciation provided during the year	(1,612)
Exchange realignment	(43)
At December 31, 2016, net of accumulated depreciation	<u>4,164</u>
At December 31, 2016:	
Cost	6,652
Accumulated depreciation	(2,488)
Net carrying amount	<u>4,164</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**14. RIGHT-OF-USE ASSETS (continued)**

	<u>Office premise</u> USD'000	<u>Equipment</u> USD'000	<u>Total</u> USD'000
December 31, 2017			
At December 31, 2016 and at January 1, 2017:			
Cost	6,652	—	6,652
Accumulated depreciation	(2,488)	—	(2,488)
Net carrying amount	<u>4,164</u>	<u>—</u>	<u>4,164</u>
At January 1, 2017, net of accumulated depreciation	4,164	—	4,164
Additions	2,712	850	3,562
Acquisition of subsidiaries (note 35)	2,010	—	2,010
Depreciation provided during the year	(2,581)	(34)	(2,615)
Exchange realignment	347	14	361
At December 31, 2017, net of accumulated depreciation	<u>6,652</u>	<u>830</u>	<u>7,482</u>
At December 31, 2017:			
Cost	9,776	865	10,641
Accumulated depreciation	(3,124)	(35)	(3,159)
Net carrying amount	<u>6,652</u>	<u>830</u>	<u>7,482</u>
	<u>Office premise</u> USD'000	<u>Equipment</u> USD'000	<u>Total</u> USD'000
December 31, 2018			
At December 31, 2017 and at January 1, 2018:			
Cost	9,776	865	10,641
Accumulated depreciation	(3,124)	(35)	(3,159)
Net carrying amount	<u>6,652</u>	<u>830</u>	<u>7,482</u>
At January 1, 2018, net of accumulated depreciation	6,652	830	7,482
Additions	1,357	2,202	3,559
Acquisition of subsidiaries (note 35)	1,553	—	1,553
Depreciation provided during the year	(3,199)	(126)	(3,325)
Exchange realignment	(202)	23	(179)
At December 31, 2018, net of accumulated depreciation	<u>6,161</u>	<u>2,929</u>	<u>9,090</u>
At December 31, 2018:			
Cost	12,406	3,091	15,497
Accumulated depreciation	(6,245)	(162)	(6,407)
Net carrying amount	<u>6,161</u>	<u>2,929</u>	<u>9,090</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**14. RIGHT-OF-USE ASSETS (continued)**

	Office premise USD'000	Equipment USD'000	Total USD'000
June 30, 2019			
At December 31, 2018 and at January 1, 2019:			
Cost	12,406	3,091	15,497
Accumulated depreciation	(6,245)	(162)	(6,407)
Net carrying amount	<u>6,161</u>	<u>2,929</u>	<u>9,090</u>
At January 1, 2019, net of accumulated depreciation	6,161	2,929	9,090
Additions	3,746	—	3,746
Acquisition of subsidiaries (note 35)	2,379	—	2,379
Depreciation provided during the period	(2,122)	(77)	(2,199)
Exchange realignment	(48)	69	21
At June 30, 2019, net of accumulated depreciation	<u>10,116</u>	<u>2,921</u>	<u>13,037</u>
At June 30, 2019:			
Cost	17,259	3,166	20,425
Accumulated depreciation	(7,143)	(245)	(7,388)
Net carrying amount	<u>10,116</u>	<u>2,921</u>	<u>13,037</u>

15. INVESTMENTS IN JOINT VENTURES**Group**

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Share of net assets	198,223	283,855	404,697	526,083
Goodwill on retaining interests in joint ventures	2	2	2	2
	198,225	283,857	404,699	526,085
Receivables from joint ventures	—	29,224	—	—
	<u>198,225</u>	<u>313,081</u>	<u>404,699</u>	<u>526,085</u>

The receivables from the joint ventures are unsecured, interest-free and repayable on demand. In the opinion of the directors, the repayment of these receivables are neither planned nor likely to occur in the foreseeable future and are considered as part of the Group's net investments in the joint ventures.

Particulars of the Group's material joint ventures are as follows:

Name	Registered share capital	Place of Registration and business	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
E-Shang Star Cayman Limited ("E-Shang Star")	USD 4,968,538	Cayman Islands	25.62%	33.33%	25.62%	Investment holding
Sunwood Star Pte. Ltd. ("Sunwood Star")	USD 654,557,110	Singapore	20.00%	33.33%	20.00%	Investment holding

Note:

Unanimous agreements with the two joint venture investors are required for E-Shang Star and Sunwood Star, respectively.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**15. INVESTMENTS IN JOINT VENTURES (continued)****Group (continued)**

The following table illustrates the summarized financial information in respect of E-Shang Star adjusted for any differences in accounting policies and reconciled to the carrying amount in the Historical Financial Information:

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Cash and bank balances	144,777	193,332	124,443	147,845
Other current assets	25,250	116,565	38,637	38,954
Current assets	170,027	309,897	163,080	186,799
Non-current assets	663,747	1,011,081	1,273,423	1,403,732
Financial liabilities, excluding trade and other payables	(10,891)	(19,405)	(3,369)	(51,741)
Other current liabilities	(60,317)	(253,088)	(111,811)	(64,958)
Current liabilities	(71,208)	(272,493)	(115,180)	(116,699)
Non-current financial liabilities, excluding trade and other payables	(190,700)	(257,175)	(304,694)	(348,264)
Other non-current liabilities	(93,139)	(114,815)	(157,230)	(200,455)
Non-current liabilities	(283,839)	(371,990)	(461,924)	(548,719)
Net assets	478,727	676,495	859,399	925,113
Proportion of the Group's ownership	30.00%	25.62%	25.62%	25.62%
Carrying amount of the investment	143,618	173,318	220,178	237,014
Revenue	24,132	25,205	51,462	33,107
Interest income	850	434	1,649	195
Depreciation and amortization	(2)	(2)	(15)	(25)
Interest expenses	(7,802)	(9,833)	(17,601)	(10,599)
Tax	(37,271)	(32,098)	(33,418)	(10,470)
Profit	90,564	91,393	89,071	25,356
Total comprehensive income for the year/period	81,868	100,271	44,014	7,225

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**15. INVESTMENTS IN JOINT VENTURES (continued)****Group (continued)**

The following table illustrates the summarized financial information in respect of Sunwood Star adjusted for any differences in accounting policies and reconciled to the carrying amount in the Historical Financial Information:

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Cash and bank balances	22,256	35,780	12,963	15,296
Other current assets	5,184	48,138	95,067	144,323
Current assets	27,440	83,918	108,030	159,619
Non-current assets	306,216	729,557	1,225,541	1,307,617
Financial liabilities, excluding trade and other payables	(45)	(188)	(684)	(759)
Other current liabilities	(14,945)	(47,143)	(20,164)	(14,234)
Current liabilities	(14,990)	(47,331)	(20,848)	(14,993)
Non-current financial liabilities, excluding trade and other payables	(45,641)	(211,697)	(335,506)	(350,095)
Other non-current liabilities	—	(1,762)	(93,100)	(89,874)
Non-current liabilities	(45,641)	(213,459)	(428,606)	(439,969)
Net assets	273,025	552,685	884,117	1,012,274
Proportion of the Group's ownership	20.00%	20.00%	20.00%	20.00%
Carrying amount of the investment	54,605	110,537	176,823	202,454
Revenue	—	—	—	—
Interest income	14	27	(1)	38
Interest expenses	(58)	(1,145)	(6,086)	(5,870)
Tax	(1,080)	(2,796)	(46,157)	(1,789)
Profit	45,915	50,042	225,629	52,931
Total comprehensive income for the year/ period	43,513	57,531	204,205	45,327

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Aggregate carrying amount of the Group's investments in the joint ventures	—	—	7,696	86,615

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

16. INVESTMENT IN ASSOCIATES

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Share of net assets	—	—	6,941	—
Goodwill on acquisition	—	—	2,393	—
	—	—	9,334	—
	==	==	==	==

Particulars of the Group's associates is as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Effective percentage of ownership interest attributable to the Group	Principal Activities
Sabana Investment Partners Pte. Ltd.	Ordinary shares	Singapore	42.8	Investment holding

Note:

On 28 June 2019, the Group has, through its wholly-owned subsidiary Infinitysub Pte. Ltd., completed the acquisition of 51% interest in Sabana Investment Partners Pte. Ltd. ("SIP") from Vibrant Group Limited (Vibrant). The Group previously has 42.8% interest in SIP. After the acquisition, the Group accounts for its 93.8% interest in SIP as an investment in subsidiary (Note 35).

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Unquoted equity interests, at fair value ⁽ⁱ⁾	140,577	292,982	335,771	504,903
Listed equity investments, at market value ⁽ⁱⁱ⁾	—	69,091	—	—
	140,577	362,073	335,771	504,903
	==	==	==	==

Notes:

- (i) The fair value of these investments is estimated based on the Group's share of the net asset value of the investment funds and associates.

In accordance with the exemption in IAS 28 *Investments in associates*, the Group does not account for its investments in associates and joint ventures using equity method if the Group acts as investment fund managers. Instead, the Group has elected to measure its investments in associates and joint ventures at fair value through profit or loss in accordance with IAS 39 or IFRS 9. This exemption is related to the fact that fair value measurement provides more useful information for users of the financial statements than application of the equity method. This is an exemption from the requirement to measure interests in associates using the equity method, rather than an exception to the scope of IAS 28 for the accounting for associates and a joint venture.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)**

The Group's investments in associates and a joint venture are summarized below:

Name of associates and joint venture	Principal activity	Country of incorporation	Effective ownership interest			
			As at December 31			As at June 30
			2016	2017	2018	2019
			%	%	%	%
Redwood Fujiidera Pte. Ltd. . .	Investment holding	Japan	33.18	33.18	33.18	33.18
RW Yatomi Pte. Ltd.	Investment holding	Japan	20.00	N/A	N/A	N/A
RW Higashi Pte. Ltd.	Investment holding	Japan	20.00	35.00	N/A	N/A
RW Midori-Ku Pte. Ltd.	Investment holding	Japan	N/A	40.00	40.00	40.00
RW Noda Pte. Ltd.	Investment holding	Singapore	N/A	N/A	40.00	40.00
RW Chigasaki Pte. Ltd.	Investment holding	Singapore	N/A	N/A	20.10	20.10
Redwood Kawasaki Pte. Ltd.	Investment holding	Singapore	N/A	N/A	20.10	20.10
RW Moriya Pte. Ltd.	Investment holding	Singapore	N/A	N/A	20.10	20.10
ESR Japan Core Fund Limited Partnership	Investment holding	Singapore	N/A	N/A	29.10	29.10
ESR India Logistics Fund Pte. Ltd. ⁽ⁱⁱⁱ⁾	Investment holding	Singapore	N/A	N/A	100	100
Jiangsu Yitian Warehousing Service Co., Ltd.	Warehousing business	Mainland China	N/A	16.25	16.25	16.25
Taicang Mingzhan Logistics Company Limited	Warehousing business	Mainland China	N/A	16.25	16.25	16.25
Shanghai Fengyuan Logistic Co., Ltd.	Warehousing business	Mainland China	N/A	16.25	16.25	16.25

Unquoted equity interests at fair value with a fair value of USD22,378,000, nil, nil and nil as at December 31, 2016, 2017 and 2018 and at June 30, 2019, respectively had been pledged to secure bank loans and other borrowings granted to the Group.

(ii) Listed equity investments represent the Group's investments in publicly listed companies, which are quoted in an active market.

The fair values of the listed equity investments are based on their quoted prices as of December 31, 2017 in an active market.

Listed equity investments at market value with a fair value of nil, USD67,920,000, nil and nil as at December 31, 2016, 2017 and 2018 and at June 30, 2019, respectively had been pledged secure bank loans and other borrowings granted to the Group (note 27).

(iii) We are in the process of issuing 50% of the shares in the India Fund to our joint venture partner.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**Group**

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Listed equity investments, at market value	—	—	484,239	468,958

Listed equity investments at fair value represent the Group's investments in publicly listed companies, which are quoted in an active market.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)****Group (continued)**

The gain in respect of the Group's listed equity investments recognized in other comprehensive income amounted to nil, nil, USD8,544,000 and USD 31,632,000 during the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019.

The dividend income in respect of the Group's listed equity investments recognized in other comprehensive income amounted to nil, nil, USD21,390,000 and USD10,472,000 during the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019.

Listed equity investments represent the Group's investments in publicly listed companies, which are quoted in an active market. The listed equity investments comprise:

Listed equity investments, at fair value	Stock Exchange	Ownership interest				Fair Value
		As at December 31			As at June 30	As at June 30
		2016	2017	2018	2019	2019
						USD'000
Investment A	Australia Stock Exchange	Nil	20%	20%	Nil	—
Investment B	Australia Stock Exchange	Nil	15%	15%	15%	69,786
Investment C	Hong Kong Exchanges and Clearing Limited	Nil	Nil	13%	14%	162,262
Investment D	Singapore exchange securities trading limited	Nil	9%	13%	9%	116,104
Investment E	Singapore exchange securities trading limited	Nil	Nil	5%	5%	39,096
Investment F	Singapore exchange securities trading limited	Nil	5%	9%	23%	81,710
Investment G	Singapore exchange securities trading limited	Nil	3%	Nil	Nil	—

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

Listed equity investments at market value with a fair value of nil, nil, USD122,176,000 and USD167,681,000 as at December 31, 2016, 2017 and 2018 and at June 30, 2019, respectively had been pledged to secure bank loans and other borrowings granted to the Group (note 27).

Company

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Listed equity investments, at market value	—	—	32,549	33,122

Listed equity investments represent the Company's investments in publicly listed companies, which are quoted in active markets.

The fair values of the listed equity investments are based on their quoted prices as of December 31, 2018 and June 30, 2019 in active markets.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**19. AVAILABLE-FOR-SALE INVESTMENTS****Group**

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Unquoted equity interests, at fair value	1,131	—	—	—
Unquoted equity investments, at cost (i)	361	8,327	—	—
Listed equity investments, at market value (ii)	—	181,489	—	—
	<u>1,492</u>	<u>189,816</u>	<u>—</u>	<u>—</u>

Notes:

- (i) Available-for-sale assets, carried at cost of the Group relate to unquoted equity investments in a privately-held real estate entity in Singapore.

These equity investments are carried at cost less accumulated impairment losses because the fair value cannot be reliably determined. The variability in the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range of reasonable inputs are not sufficiently reliable to determine a fair value.

- (ii) Available-for-sale assets, at fair value of the Group relates the Group's investments in publicly listed companies, which are quoted in active markets.

The gain/(loss) in respect of the Group's listed equity investments recognized in other comprehensive income/(loss) amounted to USD250,000, USD(10,388,000), nil and nil during the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019.

Listed equity investments at market value with a fair value of nil, USD15,673,000, nil and nil as at December 31, 2016, 2017 and 2018 and June 30, 2019, respectively had been pledged to secure bank loans and other borrowings granted to the Group.

Company

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Listed equity investments, at market value	—	543	—	—
	<u>—</u>	<u>543</u>	<u>—</u>	<u>—</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

20. INVESTMENT PROPERTIES

	Completed Investment properties	Investment Properties under construction	Total
	USD'000	USD'000	USD'000
At January 1, 2016	648,246	30,076	678,322
Additions	—	72,725	72,725
Acquisition of subsidiaries	122,454	9,633	132,087
Changes in fair values of investment properties	100,799	5,760	106,559
Transfer from investment properties under construction to completed investment properties	25,168	(25,168)	—
Exchange realignment	(44,656)	(2,108)	(46,764)
At December 31, 2016 and January 1, 2017	852,011	90,918	942,929
Additions	25,984	122,652	148,636
Acquisition of subsidiaries	64,029	72,763	136,792
Changes in fair value of investment properties	95,179	100,039	195,218
Transfer from investment properties under construction to completed investment properties	215,635	(215,635)	—
Disposal of subsidiaries (note 37)	(295,690)	—	(295,690)
Exchange realignment	53,534	7,784	61,318
At December 31, 2017 and January 1, 2018	1,010,682	178,521	1,189,203
Additions	4,287	94,897	99,184
Acquisition of subsidiaries (note 35)	467,959	25,699	493,658
Changes in fair values of investment properties	109,688	62,779	172,467
Transfer from investment properties under construction to completed investment properties	45,801	(45,801)	—
Disposal of subsidiaries (note 37)	(514)	—	(514)
Exchange realignment	(54,844)	(13,652)	(68,496)
At December 31, 2018 and January 1, 2019	1,583,059	302,443	1,885,502
Additions	17,624	247,265	264,889
Acquisition of subsidiaries (note 35)	672,022	—	672,022
Changes in fair values of investment properties	26,800	76,761	103,561
Transfer from investment properties under construction to completed investment properties	29,242	(29,242)	—
Transfer from completed investment properties to investment properties under construction for redevelopment	(392,285)	392,285	—
Disposal of subsidiaries (note 37)	(276,711)	—	(276,711)
Exchange realignment	(9,745)	16,989	7,244
At June 30, 2019	<u>1,650,006</u>	<u>1,006,501</u>	<u>2,656,507</u>

- (a) All completed investment properties and investment properties under construction of the Group were revalued at December 31, 2016, 2017 and 2018 and June 30, 2019 based on valuation performed by independent professionally qualified valuers, Beijing Colliers International Real Estate Valuation Co., Ltd., CBRE Valuation Pty Limited, Jones Lang LaSalle Advisory Services Pty Ltd and Cushman & Wakefield K.K. at fair value. They are industry specialist in investment property valuation.

In determining fair value, a combination of approaches and methods were used, including the Direct Comparison Method and Discounted Cash Flow Method. The Direct Comparison Method is applied based on the market prices of comparable properties. Comparable properties with similar sizes, characters and locations were analyzed, and weighted against all respective advantages and disadvantages to arrive at the fair value of the property. The Discounted Cash Flow Method measures the value of a property by the present worth of the net economic benefit to be received over the life of the asset.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**20. INVESTMENT PROPERTIES (continued)****(b) Completed investment properties leased out under operating leases**

The Group leases out completed investment properties under operating lease arrangements. All leases run for a period of one to ten years, with an option to renew the leases after the expiry dates, at which time all terms will be renegotiated. The Group's total future minimum lease receivables under non-cancellable operating leases generated from completed investment properties are as follows:

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Within one year	59,170	62,076	82,472	114,411
In the second to fifth years, inclusive	145,518	179,698	207,834	271,675
After five years	17,807	40,520	18,667	57,341
	<u>222,495</u>	<u>282,294</u>	<u>308,973</u>	<u>443,427</u>

- (c) Certain of the Group's completed investment properties and investment properties under construction with a fair value of USD818,048,000, USD1,013,791,000, USD1,591,741,000 and USD2,099,845,000 as at December 31, 2016, 2017 and 2018 and at June 30, 2019 were pledged to secure bank loans and other borrowings granted to the Group as disclosed in note 27.

(d) Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Significant observable inputs(Level 2)	34,193	136,206	20,202	44,790
Significant unobservable inputs(Level 3)	908,736	1,052,997	1,865,300	2,611,717
	<u>942,929</u>	<u>1,189,203</u>	<u>1,885,502</u>	<u>2,656,507</u>

The movement in fair value measurements within Level 3 during the Relevant Periods are as follows:

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
At January 1	666,433	908,736	1,052,997	1,865,300
Additions	46,397	117,109	51,888	245,545
Acquisition of subsidiaries	122,454	67,147	493,658	672,022
Changes in fair value of investment properties	106,559	162,967	151,271	98,316
Transfer from level 2 to level 3	11,889	34,193	176,952	—
Disposal of subsidiaries	—	(295,690)	(514)	(276,711)
Exchange realignment	(44,996)	58,535	(60,952)	7,245
	<u>908,736</u>	<u>1,052,997</u>	<u>1,865,300</u>	<u>2,611,717</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**20. INVESTMENT PROPERTIES (continued)****(d) Fair value hierarchy (continued)**

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

December 31, 2016

Warehouse properties	Discounted cash flow method (term and reversionary method)	(1) Capitalization rate (2) Market unit rent	5.65-6.25% RMB26.00-RMB35.00 per square meter per month

December 31, 2017

Warehouse properties	Discounted cash flow method (term and reversionary method)	(1) Capitalization rate (2) Market unit rent	5.65-6.25% RMB23.00-RMB47.00 per square meter per month

December 31, 2018

Warehouse properties	Discounted cash flow method (term and reversionary method)	(1) Capitalization rate (2) Market unit rent	China Properties: (1) 5.70-6.60% (2) RMB 24.00-RMB 59.00 per square meter per month Japan Property: (1) 4.20% (2) JPY1,152 per square meter per month

June 30, 2019

Warehouse properties	Discounted cash flow method (term and reversionary method)	(1) Capitalization rate (2) Market unit rent	China Properties: (1) 5.75-6.50% (2) RMB 24.00-RMB 58.80 per square meter per month Japan Property: (1) 4.10%-4.20% (2) JPY 1,150- JPY 2,269 per square meter per month Australia Property: (1) 5.75%-9.00% (2) AUS 4.38- AUS 29 per square meter per month

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**20. INVESTMENT PROPERTIES (continued)****(d) Fair value hierarchy (continued)**

Investment properties held by the Group were valued at level 2 and level 3 listed above; the valuation techniques are Direct Comparison Approach and Discounted Cash Flow Method (term and reversion approach), and key inputs are:

- (1) Term yield: the higher the term yield, the lower the fair value
- (2) Reversionary yield: the higher the reversionary yield, the lower the fair value
- (3) Market unit rent: the higher the market unit rent, the higher the fair value
- (4) Capitalization rate: the higher the capitalization rate, the lower the fair value

21. GOODWILL

	USD'000
Cost at January 1, 2016, net of accumulated impairment	—
Acquisition of subsidiaries (note 35)	210,480
Cost and net carrying amount at 31 December 2016	<u>210,480</u>
At December 31, 2016	
Cost	210,480
Accumulated impairment	—
Net carrying amount	<u>210,480</u>
Cost at January 1, 2017, net of accumulated impairment	210,480
Acquisition of subsidiaries (note 35)	15,752
Cost and net carrying amount at December 31, 2017	<u>226,232</u>
At December 31, 2017	
Cost	226,232
Accumulated impairment	—
Net carrying amount	<u>226,232</u>
Cost at January 1, 2018, net of accumulated impairment	226,232
Acquisition of subsidiaries (note 35)	59,150
Cost and net carrying amount at December 31, 2018	<u>285,382</u>
At December 31, 2018	
Cost	285,382
Accumulated impairment	—
Net carrying amount	<u>285,382</u>
Cost at January 1, 2019, net of accumulated impairment	285,382
Acquisition of subsidiaries (note 35)	54,861
Cost and net carrying amount at June 30, 2019	<u>340,243</u>
At June 30, 2019	
Cost	340,243
Accumulated impairment	—
Net carrying amount	<u>340,243</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**21. GOODWILL (continued)**Impairment testing of goodwill

As of December 31, 2016, 2017 and 2018, goodwill acquired through business combinations is allocated to Redwood asset management business cash-generating unit, Infinitysub asset management business cash-generating unit, CIP business cash-generating unit and VITM business cash-generating unit for impairment testing.

Redwood assets management business cash-generating unit

The recoverable amount of the Redwood asset management cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 17%. The growth rate used to extrapolate the cash flow of the Redwood asset management beyond the five-year period is 3%. This growth rate is based on the average growth rate of the management fee in which the business operates. Senior management believes that this growth rate is justified. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

Infinitysub asset management business cash-generating unit

The recoverable amount of Infinitysub asset management business cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 15%. The growth rate used to extrapolate the cash flow of the Infinitysub fee business cash-generating unit beyond the five-year period is 3%. This growth rate is based on the average growth rate of the management fee in which the business operates. Senior management believes that this growth rate is justified. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

CIP business cash-generating unit

The recoverable amount of CIP business cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 9%. The growth rate used to extrapolate the cash flow of the CIP fee business cash-generating unit beyond the five-year period is 0.35%. This growth rate is based on the average growth rate of the management fee in which the fee business operates. Senior management believes that this growth rate is justified, whilst a lower multiple for the residual business units is reasonable due to the increased risk profile of each business unit. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

VITM business cash-generating unit

The recoverable amount of VITM business cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**21. GOODWILL (continued)**Impairment testing of goodwill (continued)*VITM business cash-generating unit (continued)*

11.1%. The growth rate used to extrapolate the cash flow of the VITM fee business cash-generating unit beyond the five-year period is 1.2%. This growth rate is based on the average growth rate of the management fee in which the fee business operates. Senior management believes that this growth rate is justified, whilst a lower multiple for the residual business units is reasonable due to the increased risk profile of each business unit. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

In October 2018, the Group acquired all of the issued shares of Viva Industrial Trust Management Pte Ltd (manager of VIT). In 2019, the Group completed the consolidation of Infinitysub (manager of ESR-REIT) asset management business and VITM asset management business pursuant to merger of ESR-REIT and VIT ("VIT Merger") in October 2018. Consequently, as of June 30, 2019, the original Infinitysub asset management business cash-generating unit and VITM business cash-generating unit have been consolidated as a single cash-generating unit namely Infinitysub asset management business.

Following to acquisition of PLG Group as subsidiary of the Group in March 2019, CIP business and PLG Group are now sharing the same management and consolidated as a single cash-generating units namely ESR Australia asset management business. The cash flow projections is derived based on financial budgets after taking into effect the consolidated cash-generating units.

As of June 30, 2019, the Group's goodwill impairment testing is allocated to Redwood assets management business cash-generating unit, Infinitysub asset management business cash-generating unit, ESR Australia asset management business cash-generating unit and SIP asset management business.

Redwood assets management business cash-generating unit

The recoverable amount of the Redwood assets management business cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 16.7%. The growth rate used to extrapolate the cash flow of the Redwood asset management beyond the five-year period is 3%. This growth rate is based on the average growth rate of the management fee in which the business operates. Senior management believes that this growth rate is justified. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

Infinitysub asset management business cash-generating unit

The recoverable amount of Infinitysub asset management business cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 10.5%. The growth rate used to extrapolate the cash flow of the Infinitysub fee

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**21. GOODWILL (continued)**Impairment testing of goodwill (continued)*Infinitysub asset management business cash-generating unit (continued)*

business cash-generating unit beyond the five-year period is 2.5%. This growth rate is based on the average growth rate of the management fee in which the business operates. Senior management believes that this growth rate is justified. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

ESR Australia asset management business cash-generating unit

The recoverable amount of ESR Australia asset management business cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 10.0%. The growth rate used to extrapolate the cash flow of the ESR Australia asset management business cash-generating unit beyond the five-year period is 2.5%. This growth rate is based on the average growth rate of the management fee in which the business operates. Senior management believes that this growth rate is justified. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

SIP asset management business cash-generating unit

SIP's acquisition was completed on June 28, 2019 and hence no goodwill impairment assessment done as of June 30, 2019

The carrying amounts of goodwill allocated to each other cash-generating units of fee business are as follows:

Redwood asset management business				
As at December 31			As at June 30	
2016	2017	2018	2019	
USD'000	USD'000	USD'000	USD'000	
Carrying amount of goodwill	210,480	210,480	210,480	210,480
CIP business				
As at December 31			As at June 30	
2016	2017	2018	2019	
USD'000	USD'000	USD'000	USD'000	
Carrying amount of goodwill	N/A	N/A	40,532	N/A
VITM business				
As at December 31			As at June 30	
2016	2017	2018	2019	
USD'000	USD'000	USD'000	USD'000	
Carrying amount of goodwill	N/A	N/A	18,618	N/A

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

21. GOODWILL (continued)

Impairment testing of goodwill (continued)

SIP asset management business cash-generating unit (continued)

	Infinitysub asset management business			
	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Carrying amount of goodwill	N/A	15,752	15,752	34,370
ESR Australia asset management business				
	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
	2016	2017	2018	2019
Carrying amount of goodwill	N/A	N/A	N/A	81,823
SIP asset management business				
	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
	2016	2017	2018	2019
Carrying amount of goodwill	N/A	N/A	N/A	13,570
Total				
	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
	2016	2017	2018	2019
Carrying amount of goodwill	210,480	226,232	285,382	340,243

Assumptions were used in the value in use calculation of the Group's cash-generating unit for the Relevant Periods. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Budgeted gross fee income—The basis used to determine the value assigned to the budgeted gross fee income is the average fee income achieved in the year immediately before the budget year, increased for expected market development.

Discount rates—The discount rates used are before tax and reflect specific risks relating to the relevant units.

Based on the results of the goodwill impairment testing, the recoverable amount of each cash-generating units exceeded its carrying amount are as follows:

	As at December 31		
	2016	2017	2018
	USD'000	USD'000	USD'000
Redwood assets management business	72,136	101,269	53,386
Infinitysub asset management business	N/A	26,406	14,326
CIP business	N/A	N/A	6,068
VITM business	N/A	N/A	14,067
	72,136	127,675	87,847

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**21. GOODWILL (continued)**Impairment testing of goodwill (continued)*SIP asset management business cash-generating unit (continued)*

	<u>As at June 30</u>
	<u>2019</u>
	<u>USD'000</u>
Redwood assets management business	20,168
Infinitysub asset management business	42,784
ESR Australia asset management business	51,584
SIP asset management business	NA
	<u>114,536</u>

Sensitivity to changes in assumptions

By applying a certain basis point increase in the discount rate and decrease in the terminal growth rate as follows would result in the recoverable amount of each cash-generating unit being approximately equal to its carrying amount.

	<u>Increase in the discount rate</u>		
	<u>As at December 31</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
	<u>Basis point</u>	<u>Basis point</u>	<u>Basis point</u>
Redwood assets management business	1,150	1,210	310
Infinitysub asset management business	N/A	1,450	1,130
CIP business	N/A	N/A	1,780
VITM business	N/A	N/A	2,110

	<u>Increase in the discount rate</u>		
	<u>As at June 30</u>		
	<u>2019</u>		
	<u>Basis point</u>		
Redwood assets management business	120		
Infinitysub asset management business	360		
ESR Australia asset management business	400		

	<u>Decrease in the terminal growth rate</u>		
	<u>As at December 31</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
	<u>Basis point</u>	<u>Basis point</u>	<u>Basis point</u>
Redwood assets management business	910	1,140	600
Infinitysub asset management business	N/A	4,510	2,750
CIP business	N/A	N/A	835
VITM business	N/A	N/A	2,120

	<u>Decrease in the terminal growth rate</u>		
	<u>As at June 30</u>		
	<u>2019</u>		
	<u>Basis point</u>		
Redwood assets management business	190		
Infinitysub asset management business	520		
ESR Australia asset management business cash-generating unit	670		

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**21. GOODWILL (continued)**Sensitivity to changes in assumptions (continued)

Any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

22. OTHER INTANGIBLE ASSETS**Group**

	<u>Software</u> <u>USD'000</u>	<u>Management</u> <u>contracts</u> <u>USD'000</u>	<u>Total</u> <u>USD'000</u>
December 31, 2016			
Cost at January 1, 2016, net of accumulated amortization	10	—	10
Additions	160	—	160
Acquisition of subsidiaries (note 33)	—	28,681	28,681
Amortization provided during the year	(43)	(3,756)	(3,799)
Exchange realignment	(4)	—	(4)
At December 31, 2016	<u>123</u>	<u>24,925</u>	<u>25,048</u>

	<u>Software</u> <u>USD'000</u>	<u>Management</u> <u>contracts</u> <u>USD'000</u>	<u>Trust</u> <u>management</u> <u>rights with</u> <u>indefinite</u> <u>useful life</u> <u>USD'000</u> <u>(note (i))</u>	<u>Total</u> <u>USD'000</u>
December 31, 2017				
Cost at January 1, 2017, net of accumulated amortization	123	24,925	—	25,048
Additions	603	—	—	603
Acquisition of subsidiaries (note 33)	—	—	26,725	26,725
Amortization provided during the year	(107)	(4,097)	—	(4,204)
Exchange realignment	9	—	—	9
At December 31, 2017	<u>628</u>	<u>20,828</u>	<u>26,725</u>	<u>48,181</u>

	<u>Software</u> <u>USD'000</u>	<u>Management</u> <u>contracts</u> <u>USD'000</u>	<u>Trust</u> <u>management</u> <u>rights with</u> <u>indefinite</u> <u>useful life</u> <u>USD'000</u> <u>(note (ii))</u>	<u>Customer</u> <u>contracts</u> <u>USD'000</u>	<u>Total</u> <u>USD'000</u>
December 31, 2018					
Cost at January 1, 2018, net of accumulated amortization	628	20,828	26,725	—	48,181
Additions	499	—	—	—	499
Acquisition of subsidiaries (note 33)	—	—	31,670	6,075	37,745
Disposal	—	—	—	(2,047)	(2,047)
Amortization provided during the year	(266)	(4,097)	—	(726)	(5,089)
Exchange realignment	(14)	—	374	(156)	204
At December 31, 2018	<u>847</u>	<u>16,731</u>	<u>58,769</u>	<u>3,146</u>	<u>79,493</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

22. OTHER INTANGIBLE ASSETS (continued)

Group (continued)

	Software	Management	Trust management rights with indefinite useful life	Customer contracts	Others	Total
	USD'000	contracts USD'000 (note iii)	USD'000 (note iv)	USD'000	USD'000	USD'000
June 30, 2019						
Cost at January 1, 2019, net of accumulated amortization	847	16,731	58,769	3,146	—	79,493
Additions	36	—	—	—	683	719
Acquisition of subsidiaries (note 35)	—	4,039	15,364	—	—	19,403
Amortization provided during the period	(206)	(2,285)	—	(543)	—	(3,034)
Exchange realignment	8	—	228	(107)	—	129
At June 30, 2019	<u>685</u>	<u>18,485</u>	<u>74,361</u>	<u>2,496</u>	<u>683</u>	<u>96,710</u>

Company

	Software USD'000
December 31, 2017	
Cost at January 1, 2017, net of accumulated amortization	—
Additions	235
Amortization provided during the year	(8)
At December 31, 2017	<u>227</u>

	Software USD'000
December 31, 2018	
Cost at January 1, 2018, net of accumulated amortization	227
Additions	312
Amortization provided during the year	(107)
At December 31, 2018	<u>432</u>

	Software USD'000
June 30, 2019	
Cost at January 1, 2019, net of accumulated amortization	432
Amortization provided during the period	(95)
At June 30, 2019	<u>337</u>

- (i) In January 2017, the Group has acquired Infinitysub Pte. Ltd. ("Infinitysub"), an asset management company providing trust management and property management service in Singapore. The trust management is expected to continuously contribute to the net cash inflow of the Group.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**22. OTHER INTANGIBLE ASSETS (continued)****Company (continued)**

Impairment testing of other intangible assets—trust management rights

The Group's trust management rights have indefinite useful lives and are allocated to the Group's Infinitysub Business, which is treated as a cash-generating unit for impairment testing. Further details of the impairment test of Infinitysub Business cash-generating unit are given in note 21.

- (ii) In October 2018, the Group has acquired Viva Industrial Trust Management Pte. Ltd. ("VITM"), an asset management company providing trust management services in Singapore. The trust management services are expected to continuously contribute to the net cash inflow of the Group.

Impairment testing of other intangible assets – trust management rights

The Group's trust management rights have indefinite useful lives and are allocated to the Group's VITM Business, which is treated as a cash-generating unit for impairment testing. Further details of the impairment test of VITM Business cash-generating unit are given in note 21.

- (iii) In June 2019, the Group has acquired Sabana Investment Partners Pte. Ltd. ("SIP"), an asset management company providing trust management services in Singapore. The trust management services are expected to continuously contribute to the net cash inflow of the Group.

Impairment testing of other intangible assets—trust management rights

The Group's trust management rights have indefinite useful lives and are allocated to the Group's SIP Business, which is treated as a cash-generating unit for impairment testing. Further details of the impairment test of SIP Business cash-generating unit are given in note 21.

23. OTHER NON-CURRENT ASSETS

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Prepayments for financial assets at fair value through profit and loss	35,995	5,660	—	—
Prepayments for acquiring land use right	2,373	7,271	23,883	23,548
Rental income receivables	7,800	5,179	5,376	6,443
Due from other related parties	1,920	2,061	1,975	3,724
Rental deposits	877	994	1,468	1,645
Others	807	1,544	1,659	1,653
	<u>49,772</u>	<u>22,709</u>	<u>34,361</u>	<u>37,013</u>

The balances due from other related parties are non-trade in nature and non-interest-bearing.

As at December 31, 2018 and June 30, 2019, other non-current assets of the Group considered to be of low credit risk and thus the Group has assessed that the ECL for deposits is immaterial under the 12 months expected credit losses method.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**24. TRADE RECEIVABLES****Group**

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Rental income receivables	6,757	5,636	4,889	4,527
Management fees due from the joint ventures of the Group	1,821	8,004	16,058	12,798
Management fees due from funds managed by the Group	693	16,649	34,309	28,317
Construction income receivables	—	—	7,481	5,221
Solar energy income receivables	—	159	320	1,007
	<u>9,271</u>	<u>30,448</u>	<u>63,057</u>	<u>51,870</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables related to various diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at the end of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Within 90 days	5,757	28,337	36,292	39,838
91 to 180 days	3,514	2,111	23,015	3,699
Over 180 days	—	—	3,750	8,333
Total	<u>9,271</u>	<u>30,448</u>	<u>63,057</u>	<u>51,870</u>

The management, based on IAS 39's incurred loss approach, believes that no impairment allowance is necessary as at December 31, 2016 and 2017 in respect of the past due balances as there has not been with a significant credit risk.

From January 1, 2018, the Group has applied the simplified approach to providing impairment for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs below also incorporate forward-looking information. The impairment as of December 31, 2018 and June 30, 2019 is determined as follows:

	December 31, 2018	June 30, 2019
	Current	Current
	USD'000	USD'000
Expected credit loss rate	<0.001%	<0.001%
Gross carrying amount (USD'000)	63,057	51,870
Impairment (USD'000)	—	—

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS****Group**

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Deposits for acquisition	12,618	6,456	19,917	11,655
Due from related parties	5,426	7,507	15,911	18,767
Receivable from funds	—	—	99,212	80,186
Prepayments on behalf of funds	—	8,563	46,938	26,835
Prepayments to suppliers	1,372	1,278	4,355	7,246
Dividend receivable	—	4,813	4,362	4,402
Contract assets	—	—	5,048	3,824
Deductible value added tax	—	4,917	4,849	12,250
Insurance compensation receivable	—	—	8,617	8,830
Other receivable	2,868	3,605	15,464	25,308
	<u>22,284</u>	<u>37,139</u>	<u>224,673</u>	<u>199,303</u>

Company

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Loans and receivables(note(i))	—	—	174,000	174,000
Due from related parties	1,560	75,881	123,170	143,604
Due from subsidiaries	412,700	645,108	1,145,295	1,590,080
Other receivables	722	797	10,297	13,016
	<u>414,982</u>	<u>721,786</u>	<u>1,452,762</u>	<u>1,920,700</u>

Note

- (i) Pursuant to the loan agreements with a wholly-owned subsidiary of the Group, the Company provided loans to this subsidiary with total amount of USD174,000,000 in 2018. The loans are unsecured, interest-free and payable on demand.

The amounts due from related parties are unsecured, interest-free and payable on demand.

Most of the above assets is neither past due nor impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

As at December 31, 2018 and June 30, 2019, other receivables of the Group considered to be of low credit risk and thus the Group has assessed that the ECL for other receivables is immaterial under the 12 months expected losses method.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**26. CASH AND BANK BALANCES****Group**

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Cash and bank balances	411,765	526,988	502,056	929,232
Non-pledged fixed time deposits with maturity period within three months	—	—	—	14,387
Non-pledged fixed time deposits with maturity period over three months	—	—	15,318	—
Restricted bank balances	—	—	19,294	22,060
Pledged bank deposits	73,780	73,803	44,711	44,711
	<u>485,545</u>	<u>600,791</u>	<u>581,379</u>	<u>1,010,390</u>

Company

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Cash and bank balances	<u>318,976</u>	<u>414,315</u>	<u>230,546</u>	<u>447,459</u>

The Renminbi (“RMB”) is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

As at December 31, 2018, the fixed deposit of USD15,318,000 had a maturity date of over 180 days. The balance was principal-protected and carried the rates of return ranging from 2.0% to 3.7% per annum. As at June 30, 2019, the fixed deposit of USD14,387,000 had a maturity date of within 90 days. The balance was principal-protected and carried the rates of return ranging from 2.0% to 3.7% per annum.

All pledged bank deposits at the end of each of the Relevant Periods were denominated in USD. Pledged bank deposits earn interest at interest rates stipulated by the respective financial institutions. The pledged bank deposits represent the amounts pledged to secure bank loans and other borrowings granted to the Group (note 27).

As at the end of each of the Relevant Periods, cash and bank balances and deposits of the Group and the Company considered to be of low credit risk and thus the Group has assessed that the ECL for cash and bank balances is immaterial under the 12 months expected credit losses method.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

27. BANK LOANS AND OTHER BORROWINGS

Group

	As at December 31,				As at June 30,			
	2016		2017		2018		2019	
	Effective interest rate (%)	Maturity	Effective interest rate (%)	Maturity	Effective interest rate (%)	Maturity	Effective interest rate (%)	Maturity
Current		USD'000		USD'000		USD'000		USD'000
Bank loans—secured	2.4-5.32	2017 75,862	2.4-6.5	2018 91,706	0.5952-6.875	2019 138,953	0.5952-6.175	2019-2020 179,080
Bank loans—unsecured . . .		—		—		—	3.6	2020 151,772
Other borrowing—secured		—		—	7.6	2019 297,241	7.6	2019 299,283
		75,862		91,706		436,194		630,135
Non-current								
Bank loans—secured	2.4-6.5	2018-2029 479,692	1.875-6.875	2019-2029 443,646	0.5952-6.875	2020-2035 1,005,259	0.5952-6.7658	2020-2035 1,501,352
Bank loans—unsecured . . .		—		—		—	5.437	2022 99,056
Other borrowing—secured	7.6	2019 279,711	7.6	2019 298,083	6.0	2020-2023 19,020	9	2023 19,026
Other borrowing—unsecured		—		—		—	10-12	2020-2024 51,866
Bond—unsecured		—		—		—	6.75-7.875	2022 502,301
		759,403		741,729		1,024,279		2,173,601
		835,265		833,435		1,460,473		2,803,736

Analyzed into:

	As at December 31				As at June 30	
	2016		2017		2018	
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Bank loans and other borrowings repayable						
Within one year	75,862	91,706	436,194	630,135		
Over one year	759,403	741,729	1,024,279	2,173,601		
	835,265	833,435	1,460,473	2,803,736		

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

27. BANK LOANS AND OTHER BORROWINGS (continued)

Company

	As at December 31,						As at June 30,		
	2016			2017			2018		
	Effective interest rate (%)	Maturity	USD'000	Effective interest rate (%)	Maturity	USD'000	Effective interest rate (%)	Maturity	USD'000
Current									
Bank loans—secured	2.4	2017	42,450	3.2	2018	42,450	4.1	2019	42,450
Bank loans—unsecured			—			—			—
Other borrowing—secured ...			—			—	7.6	2019	297,241
			42,450			42,450			339,691
Non-current									
Bank loans—unsecured			—			—			—
Other borrowing—secured ...	7.6	2019	275,920	7.6	2019	298,083	—	—	—
Bond—unsecured			—			—			—
			275,920			298,083			—
			318,370			340,533			339,691
									601,357
									1,094,270

Analyzed into:

	As at December 31				As at June 30	
	2016		2017		2018	
	USD'000		USD'000		USD'000	
Bank loans and other borrowings repayable						
Within one year		42,450		42,450		492,913
Over one year		275,920		298,083		601,357
		318,370		340,533		1,094,270

Note:

- (a) As at December 31, 2016, 2017 and 2018 and June 30, 2019, certain of the Group's completed investment properties and investment properties under construction in total fair value of USD818,048,000, USD1,013,791,000, USD1,591,741,000 and USD2,099,845,000 (note 20(c)), respectively, property, plant and equipment with a carry amount of nil, USD6,395,000, USD16,512,000 and USD19,686,000 (note 13), respectively, pledged bank deposits with an amount of USD73,780,000, USD73,803,000, USD44,711,000 and USD44,711,000 (note 26),

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

27. BANK LOANS AND OTHER BORROWINGS (continued)

Company (continued)

respectively, listed equity interests at market value with a fair value of nil, USD67,920,000 (note 17), USD122,176,000 (note 18) and USD167,681,000 (note 18), respectively, and equity interests in the Company and certain subsidiaries were pledged to secure bank loans and other borrowings granted to the Group.

(b) In February 2019, the Group issued SGD350,000,000 of fixed rate notes bearing 6.75% per annum which will be due in February 2022, and in April 2019, the Group issued USD250,000,000 of fixed rate notes bearing 7.875% per annum which will be due April 2022 under its USD2.0 billion Multicurrency Debt Issuance Programme.

28. LEASE LIABILITIES

	As at December 31,				As at June 30,			
	2016		2017		2018		2019	
	Effective interest rate (%)	Maturity	Effective interest rate (%)	Maturity	Effective interest rate (%)	Maturity	Effective interest rate (%)	Maturity
		USD'000		USD'000		USD'000		USD'000
Current lease liabilities	1-5.33	2017	1,314	1-13.25	2018	2,335	1-13.25	2019
Non-current lease liabilities	1-5.33	2020-2022	2,935	1-13.25	2020-2038	5,624	1-13.25	2020-2055
			<u>4,249</u>			<u>7,959</u>		<u>18,317</u>
						<u>9,685</u>		<u>24,408</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**29. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES****Group**

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Accruals	8,738	18,117	37,168	23,637
Trade payables (note(i))	—	—	5,207	4,562
Payables for purchase of property, plant and equipment and investment properties	9,940	22,269	15,833	27,600
Staff payroll and welfare payables	3,551	6,325	15,375	15,710
Other tax payable	2,776	3,928	3,044	4,976
Rental income received in advance	2,128	1,383	1,222	1,752
Interest payable	998	3,624	7,817	23,282
Due to related parties	972	731	2,633	3,438
Due to other shareholder of a fund	—	1,378	—	—
Payable to a fund	—	—	16,789	2,010
Others	1,322	950	6,655	21,782
	<u>30,425</u>	<u>58,705</u>	<u>111,743</u>	<u>128,749</u>

Note:

(i) An aging analysis of the trade payables as at the end of the Relevant Periods is as follows:

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Within 30 days	—	—	4,283	1,584
30 to 60 days	—	—	881	2,978
Over 60 days	—	—	43	—
Total	<u>—</u>	<u>—</u>	<u>5,207</u>	<u>4,562</u>

Company**Current**

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Accruals	1,985	2,753	5,199	15,494
Interest payable	189	2,397	2,234	15,066
Due to subsidiaries	—	—	48,554	47,444
Due to related parties	45,935	36,334	—	—
Others	—	—	—	113
	<u>48,109</u>	<u>41,484</u>	<u>55,987</u>	<u>78,117</u>

The amount due to related parties are non-trade in nature, unsecured, interest-free and payable on demand.

Non-Current

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Due to a subsidiary	<u>—</u>	<u>—</u>	<u>495,000</u>	<u>495,000</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**29. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES (continued)****Company (continued)****Non-Current (continued)**

The non-current amount due to a subsidiary are unsecured, with interest for a period of 36 months at an interest rate of LIBOR plus 1.25 percent.

30. DEFERRED TAX

The movements in deferred tax assets during the Relevant Periods are as follows:

Year ended December 31 2016					
	Losses available for offsetting against future taxable profits	Employee benefit payable	Accrued expense	Others	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
At January 1, 2016	5,779	492	—	87	6,358
Deferred tax credited/(charged) to the profit or loss during the year	755	(13)	300	60	1,102
Acquisition of subsidiaries (note 35)	2,290	—	—	—	2,290
Exchange realignment	(394)	(31)	(9)	(7)	(441)
Deferred tax assets at December 31, 2016	8,430	448	291	140	9,309
Year ended December 31 2017					
	Losses available for offsetting against future taxable profits	Employee benefit payable	Accrued expense	Others	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
At January 1, 2017	8,430	448	291	140	9,309
Deferred tax credited/(charged) to the profit or loss during the year	(338)	303	1,072	718	1,755
Disposal of subsidiaries (note 37)	(1,305)	—	—	(16)	(1,321)
Exchange realignment	492	37	51	30	610
Deferred tax assets at December 31, 2017	7,279	788	1,414	872	10,353
Year ended December 31 2018					
	Losses available for offsetting against future taxable profits	Employee benefit payable	Accrued expense	Others	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
At January 1, 2018	7,279	788	1,414	872	10,353
Deferred tax credited/(charged) to the profit or loss during the year	4,226	(778)	(677)	29	2,800
Acquisition of subsidiaries (note 35)	1,037	—	—	—	1,037
Exchange realignment	(530)	(10)	(46)	(45)	(631)
Deferred tax assets at December 31, 2018	12,012	—	691	856	13,559

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**30. DEFERRED TAX (continued)**

The movements in deferred tax assets during the Relevant Periods are as follows (continued):

Six months ended June 30 2019					
	Losses available for offsetting against future taxable profits	Employee benefit payable	Accrued expense	Others	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
At January 1, 2019	12,012	—	691	856	13,559
Acquisition of subsidiaries (note 35)	4,731	31	56	38	4,856
Deferred tax credited/(charged) to the profit or loss during the period	(479)	237	(241)	76	(407)
Disposal of subsidiaries (note 37)	(1,010)	—	—	(136)	(1,146)
Exchange realignment	(197)	(18)	(3)	27	(191)
Deferred tax assets at June 30, 2019	15,057	250	503	861	16,671

The movements in deferred tax liabilities during the Relevant Periods are as follows:

Year ended December 31 2016					
	Fair value adjustments of investment properties	Gain on fair value change of financial assets at fair value through profit or loss	Fair value Adjustment arising from acquisition of subsidiaries	Unbilled revenue	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
At January 1, 2016	69,949	—	—	2,267	72,216
Deferred tax charged/(credited) to the profit or loss during the year	33,474	1,947	(484)	410	35,347
Acquisition of subsidiaries (note 35)	—	—	8,604	—	8,604
Exchange realignment	(5,541)	(62)	(455)	(157)	(6,215)
Deferred tax liabilities at December 31, 2016	97,882	1,885	7,665	2,520	109,952

Year ended December 31 2017					
	Fair value adjustments of investment properties	Gain on fair value change of financial assets at fair value through profit or loss	Fair value Adjustment arising from acquisition of subsidiaries	Unbilled revenue	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
At January 1, 2017	97,882	1,885	7,665	2,520	109,952
Deferred tax charged/(credited) to the profit or loss during the year	52,328	3,691	(1,417)	(638)	53,964
Acquisition of subsidiaries (note 35)	—	—	2,207	—	2,207
Disposal of subsidiaries (note 37)	(34,035)	—	—	(897)	(34,932)
Exchange realignment	7,056	78	—	122	7,256
Deferred tax liabilities at December 31, 2017	123,231	5,654	8,455	1,107	138,447

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**30. DEFERRED TAX (continued)**

The movements in deferred tax liabilities during the Relevant Periods are as follows (continued):

	Year ended December 31 2018				
	Fair value adjustments of investment properties	Gain on fair value change of financial assets at fair value through profit or loss	Fair value Adjustment arising from acquisition of subsidiaries	Unbilled revenue	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
At January 1, 2018	123,231	5,654	8,455	1,107	138,447
Deferred tax charged/(credited) to the profit or loss during the year	49,530	227	(2,827)	(292)	46,638
Acquisition of subsidiaries (note 35)	—	—	15,734	—	15,734
Exchange realignment	(7,993)	(291)	(541)	(45)	(8,870)
Deferred tax liabilities at December 31, 2018	164,768	5,590	20,821	770	191,949
	Six months ended June 30 2019				
	Fair value adjustments of investment properties	Gain on fair value change of financial assets at fair value through profit or loss	Fair value Adjustment arising from acquisition of subsidiaries	Unbilled revenue	Total
	USD'000	USD'000	USD'000	USD'000	USD'000
At January 1, 2019	164,768	5,590	20,821	770	191,949
Credited/(charged) to the profit or loss	20,842	(268)	(615)	693	20,652
Acquisition of subsidiaries (note 35)	—	—	2,619	—	2,619
Disposal of subsidiaries (note 37)	(28,085)	—	—	(430)	(28,515)
Exchange realignment	244	—	50	(6)	288
Deferred tax liabilities at June 30, 2019	157,769	5,322	22,875	1,027	186,993

In accordance with PRC laws and regulations, tax losses could be carried forward for five years to offset against future taxable profits. Deferred tax assets relating to unutilized tax losses are recognized to the extent that it is probable that sufficient taxable profit will be available to allow such deferred tax assets to be utilized.

The Group had unused tax losses available for offsetting against future profits in respect of certain subsidiaries of USD6,547,378, USD15,961,631, USD13,626,000 and USD14,652,883 as at December 31, 2016, 2017, 2018 and June 30 2019, respectively, and the deferred tax assets have not been recognized.

No deferred tax assets have been recognized in respect of these losses due to the unpredictability of future available taxable profit of the subsidiaries to offset against the unused tax losses. The available period of the unused tax losses will expire in one to five years for offsetting against future taxable profits.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement becomes effective on January 1, 2008 and applies to earnings after December 31,

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**30. DEFERRED TAX (continued)**

2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by its subsidiaries, joint ventures and associates established in Mainland China in respect of earnings generated from January 1, 2008.

At the end of each of the Relevant Period, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China and Group's investment in joint venture. In the opinion of the directors, it is not probable that these subsidiaries and investments in joint venture will distribute such earnings in the foreseeable future.

The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognized totaled approximately USD4,904,000, USD1,747,000, USD3,766,000 and USD3,845,000 at December 31, 2016, 2017, 2018 and June 30, 2019.

31. DERIVATIVE FINANCIAL INSTRUMENTS

On December 4, 2013 and August 19, 2015, the Company entered into facility agreements with a third party, Financial Investor A, to obtain loans of USD120,000,000 ("Facility Agreements I") and USD100,000,000 ("Facility Agreements II"), respectively. In connection, with the above loans, the Company issued warrant instruments to Financial Investor A for total consideration of USD70,000 with a written call option in respect of the Company's 54,684,608 ordinary shares. Upon issuance and as of December 31, 2015, the warrant instruments were accounted for as financial liabilities measured at fair value through profit or loss. The derivative financial assets arising from the draw-down commitments at determined interest rate had been recognized in the Group's consolidated statement of profit or loss upon the application of remaining drawdown in March 2016.

On November 21, 2016, the Company fully repaid the loan under Facility Agreement I and Facility Agreement II. The directors are of the view that the derivative component of the instruments, that previously involved an obligation to deliver a variable number of equity instruments, can be determined and become fixed. From the date of such change in circumstances, the derivative component of the instruments were reclassified from financial liability to equity during the year ended December 31, 2016.

On January 19, 2018, Financial Investor A exercised the written call option in respect of the Company's 54,684,608 ordinary shares.

32. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

In December 2016, the Company issued 245,359,810 Redeemable Convertible Preference Shares to a group of independent third parties for an aggregate consideration of USD300,000,000.

In January 2017, the Company redeemed 9,814,392 Redeemable Convertible Preference Shares amounting to approximately USD11,400,000.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**32. REDEEMABLE CONVERTIBLE PREFERENCE SHARES (continued)**

The Redeemable Convertible Preference Shares have a par value of USD0.001 per share, and carried a coupon rate of 4.5% per annum. The holders are entitled to convert the Redeemable Convertible Preference Shares into the Company's ordinary shares based on conversion ratio of 1:1 under certain circumstances.

The preference shares have been split into the liability and equity components as follows:

	<u>Liabilities component</u>	<u>Equity component</u>	<u>Total</u>
	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>
At December 31, 2015 and January 1, 2016	—	—	—
Preference shares issued during the year	261,156	38,844	300,000
Direct issuing costs attributable to the liability component	(15,000)	—	(15,000)
At January 1, 2017	246,156	38,844	285,000
Redemption of redeemable convertible preference shares	(9,688)	(1,712)	(11,400)
Interest accretion of the liabilities component	41,327	—	41,327
Interest paid	(13,596)	—	(13,596)
At December 31, 2017 and January 1, 2018	264,199	37,132	301,331
Interest accretion of the liabilities component	45,610	—	45,610
Interest paid	(13,031)	—	(13,031)
At December 31, 2018 and January 1, 2019	296,778	37,132	333,910
Interest accretion of the liabilities component	26,101	—	26,101
Interest paid	(6,869)	—	(6,869)
At June 30, 2019	<u>316,010</u>	<u>37,132</u>	<u>353,142</u>

	<u>As at December 31</u>			<u>As at June 30</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>
Liabilities component				
- Current portion	—	—	296,778	316,010
- Non-current portion	246,156	264,199	—	—
	<u>246,156</u>	<u>264,199</u>	<u>296,778</u>	<u>316,010</u>

33. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>As at December 31</u>			<u>As at June 30</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>
Loan from a third party	<u>12,592</u>	<u>13,671</u>	—	—

Pursuant to the loan agreement dated August 28, 2013 entered into by certain subsidiaries of the Group and a third party Financial Investor B ("Loan Agreement"), and the security over shares agreement dated August 28, 2013 entered into by a subsidiary of the Group and Financial Investor B ("Security Agreement"), the Group utilized the proceeds from the loan from Financial Investor B to subscribe interest in Redwood Japan Logistics Fund LP ("RJLF").

Under the Loan Agreement, all distribution proceeds from RJLF relating to the loan that have been invested into RJLF will be passed on to Financial Investor B. As such, the loan from Financial

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**33. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)**

Investor B was designated at fair value through profit or loss upon the initial recognition on the basis that it is structured, managed and has its performance evaluated on a fair value basis, in accordance with the Loan Agreement and the risk management and investment strategies of the Group.

The fair value of the loan from Financial Investor B is estimated based on the Group's share of the net asset value of RJLF at the end of each of the Reporting Periods.

In 2018, the loan from Financial Investor B was disposed of to a third party for an amount of USD16,789,000.

34. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Percentage of equity interests held by non-controlling interests at the reporting date:				
Preference shares issued by subsidiaries				
Redwood Fujiidera Investor Ltd. ⁽ⁱ⁾	86%	86%	86%	86%
Redwood Asian Investments 2 Ltd. ⁽ⁱⁱ⁾	86%	86%	86%	86%
Equity interest held by non-controlling interests				
Mingyue Logistics Pte Ltd. ⁽ⁱⁱⁱ⁾	N/A	35%	35%	35%
Higashi ^(iv)	N/A	N/A	30%	30%
Shanghai Yurun	N/A	N/A	N/A	26%
Profit/ (loss) for the year allocated to non-controlling interest:				
Preference shares issued by subsidiaries				
Redwood Fujiidera Investor Ltd. ⁽ⁱ⁾	4,619	5,384	2,966	19
Redwood Asian Investments 2 Ltd. ⁽ⁱⁱ⁾	11,010	3,530	(1,209)	(2,116)
	15,629	8,914	1,757	(2,097)
Equity interest held by non-controlling interests				
Mingyue Logistics Pte Ltd. ⁽ⁱⁱⁱ⁾	—	5,052	2,095	841
Higashi ^(iv)	—	—	1,776	7,671
Shanghai Yurun	—	—	—	(61)
	—	5,052	3,871	8,451
	15,629	13,966	5,628	6,354

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**34. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)**

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Accumulated balances of non-controlling interests at the reporting date:				
Preference shares issued by subsidiaries,				
Redwood Fujiidera Investor Ltd. ⁽ⁱ⁾	44,005	54,704	58,979	887
Redwood Asian Investments 2 Ltd. ⁽ⁱⁱ⁾	35,421	41,991	45,114	44,047
	<u>79,426</u>	<u>96,695</u>	<u>104,093</u>	<u>44,934</u>
Equity interest held by non-controlling interests				
RPCIF ⁽ⁱⁱⁱ⁾	—	26,812	27,464	28,308
Higashi ^(iv)	—	—	55,066	64,184
Shanghai Yurun	—	—	—	40,713
	<u>—</u>	<u>26,812</u>	<u>82,530</u>	<u>133,205</u>
	<u>79,426</u>	<u>123,507</u>	<u>186,623</u>	<u>178,139</u>

The following tables illustrate the summarized financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Redwood Fujiidera Investor Ltd. USD'000	Redwood Asian Investments 2 Ltd. USD'000
2016		
Revenue	—	—
Total expense	(7,359)	(2,466)
Profit for the year	9,994	12,850
Total comprehensive income for the year	<u>9,994</u>	<u>12,850</u>
Current assets	12,130	9,957
Non-current assets	41,583	35,564
Current liabilities	(526)	(2,162)
Non-current liabilities	—	—
Net cash flow from/(used in) operating activities	9,715	(198)
Net cash flow from investing activities	1,753	—
Net cash flow used in financing activities	<u>(8,814)</u>	<u>(6,858)</u>
Net increase/(decrease) in cash and cash equivalents	<u>2,654</u>	<u>(7,056)</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**34. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)**

	Redwood Fujiidera Investor Ltd. USD'000	Redwood Asian Investments 2 Ltd. USD'000	RPCIF USD'000
2017			
Revenue	—	—	3,986
Total expense	(19)	(1,269)	(3,398)
Profit for the year	7,327	3,893	19,469
Total comprehensive income for the year	<u>7,327</u>	<u>3,893</u>	<u>19,469</u>
Current assets	1,496	1,171	5,023
Non-current assets	62,878	51,028	84,786
Current liabilities	(537)	(560)	(26,722)
Non-current liabilities	<u>—</u>	<u>(2,553)</u>	<u>(264)</u>
Net cash flow from/(used in) operating activities	12,107	(329)	8,370
Net cash flow from investing activities	2,496	—	2,575
Net cash flow used in financing activities	<u>(14,645)</u>	<u>(8,546)</u>	<u>(9,019)</u>
Net increase/(decrease) in cash and cash equivalents	<u>(42)</u>	<u>(8,875)</u>	<u>1,926</u>

	Redwood Fujiidera Investor Ltd. USD'000	Redwood Asian Investments 2 Ltd. USD'000	RPCIF USD'000	Higashi USD'000
2018				
Revenue	—	—	5,726	15,092
Total expense	(10)	(300)	(2,164)	(6,033)
Profit/(loss) for the year	2,143	(1,411)	4,817	38,325
Total comprehensive income/(loss) for the year	<u>2,143</u>	<u>(1,411)</u>	<u>2,722</u>	<u>38,265</u>
Current assets	68,070	1,159	7,027	954
Non-current assets	—	54,865	82,298	113,812
Current liabilities	579	858	6,286	94,320
Non-current liabilities	<u>—</u>	<u>2,533</u>	<u>19,826</u>	<u>—</u>
Net cash flow from/(used in) operating activities	(36)	(77,322)	3,858,895	12,342,638
Net cash flow used in investing activities	—	(3,869,296)	(819,510)	(608,144)
Net cash flow from/(used in) financing activities	<u>—</u>	<u>3,908,380</u>	<u>(348,051)</u>	<u>(6,980,640)</u>
Net increase/(decrease) in cash and cash equivalents	<u>(36)</u>	<u>(38,238)</u>	<u>2,691,334</u>	<u>4,753,854</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

34. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

	Redwood Fujiidera Investor Ltd. ⁽ⁱ⁾	Redwood Asian Investments 2 Ltd. ⁽ⁱⁱ⁾	RPCIF ⁽ⁱⁱⁱ⁾	Higashi ^(iv)	Shanghai Yurun
	USD'000	USD'000	USD'000	USD'000	USD'000
June 30, 2019					
Revenue	—	—	2,762	7,708	—
Total expense	22	(2,468)	(935)	17,796	312
Profit/(loss) for the period	22	(2,468)	1,827	25,504	(234)
Total comprehensive income/(loss) for the period	<u>22</u>	<u>(2,468)</u>	<u>1,827</u>	<u>25,504</u>	<u>(234)</u>
Current assets	127	1,171	8,160	25,818	53,775
Non-current assets	940	53,412	82,983	425,289	35,547
Non-current liabilities	<u>(33)</u>	<u>(957)</u>	<u>(6,603)</u>	<u>(11,867)</u>	<u>(12,583)</u>
Net cash flow from/(used in) operating activities	(587)	490	637	5,307	(172)
Net cash flow from/(used in) investing activities	682	—	1,253	—	(12,377)
Net cash flow from/(used in) financing activities	<u>—</u>	<u>—</u>	<u>(675)</u>	<u>(4,364)</u>	<u>61,373</u>
Net increase in cash and cash equivalents ..	<u>95</u>	<u>490</u>	<u>1,215</u>	<u>943</u>	<u>48,824</u>

Notes:

- (i) Pursuant to the subscription agreement dated December 18, 2014 entered into by certain subsidiaries of the Company, including Redwood Asian Investment 1 Ltd. ("RAIL 1"), Redwood Fujiidera Investor Ltd., ESR Singapore (the "Manager") and a third party Financial Investor C, ("Subscription Agreement"), RAIL 1 and Financial Investor C have agreed to provide funding to Redwood Fujiidera Investor Ltd. for the purpose of subscribing to interest in Redwood Fujiidera Pte. Ltd.

Prior to September 23, 2016, according to Articles of Association, there is an obligation to Redwood Fujiidera Investor Ltd. to pay distributions to the preference share shareholders should distribution proceeds be received from Redwood Fujiidera Pte. Ltd. On September 23, 2016, Redwood Fujiidera Investor Ltd. made amendments to the Articles of Association and deleted the above obligation. The preference shares meet the definition of equity afterwards. The carrying amount of the preference shares are transferred into non-controlling interests from financial liabilities.

At December 31, 2016, 2017 and 2018 and June 30, 2019, Financial Investor C was a holder of 3,994,902,381, 4,243,902,381, 4,243,902,381 and 4,243,902,381 preference shares issued by Redwood Fujiidera Investor Ltd., a Cayman Island incorporated subsidiary. Financial Investor C is entitled to participate pari passu with ordinary shareholders in dividends as well as distribution upon return of capital on winding up. The dividend distribution is at the discretion of Redwood Fujiidera Investor Ltd. based on the terms of preference shares.

- (ii) Pursuant to the subscription agreement dated March 5, 2015 entered into by RAIL, Financial Investor C, Redwood Asian Investments 2 Ltd. and ESR Singapore (the "Manager") ("Subscription Agreement"), RAIL and Financial Investor C have agreed to provide funding to Redwood Asian Investments 2 Ltd. for the purpose of, indirectly through Redwood Nanko Pte. Ltd. and its subsidiaries, subscribing interest in RW Nankonaka TMK.

At December 31, 2016, 2017 and 2018, and June 30, 2019, Financial Investor C was a holder of 3,085,714,286, 3,085,714,286 and 3,454,285,715 and 3,454,285,715 Preference A Shares issued by Redwood Asian Investments 2 Ltd., a Cayman Island incorporated subsidiary, respectively. Financial Investor C is entitled to participate pari passu with ordinary shareholders in dividends as well as distribution upon return of capital on winding up. The dividend distribution is at the discretion of Redwood Asian Investments 2 Ltd. based on the terms of preference shares.

- (iii) Pursuant to the Sales and Purchase Agreement dated June 30, 2017 entered into with RAIL and Phoenix Global Real Estate Secondaries 2009 LP ("PGRE"), RPCIF became a 100% wholly owned subsidiary of RAIL and RAIL indirectly held 65% of Mingyue Logistic Pte. Ltd. which held 90% of Guangzhou Mingyue Warehousing Co., Ltd. The purchase consideration amounted to USD23,436,000.

- (iv) Pursuant to the Sales and Purchase Agreement dated June 28, 2018 entered into with Redwood Investor (Higashi) Ltd. ("RW Investor Higashi"), a wholly owned subsidiary of the Group, and Fupeng Investment Management Limited, RW Investor Higashi acquired 35% shares of RW Higashi Pte. Ltd. ("Higashi Pte"). After the acquisition, RW Investor Higashi owned 70% shares of Higashi Pte, which became a subsidiary of the Group.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**35. BUSINESS COMBINATION**

- (a) In November 2015, the Company entered into Share Subscription and Merger Agreement with Redwood Investment Company, Ltd. ("RIC") and its controlling shareholders, to issue 389,933,535 ordinary shares of the Company to RIC in exchange for the 100% equity interests in ESR Singapore and RAIL (together, the "Redwood Business"). The acquisition deal was consummated on January 20, 2016, which was evidenced by the completion of update of the Company's register of members.

The Group has elected to measure the non-controlling interest in Redwood Business at the proportionate share of its interest in the acquiree's identifiable net assets.

The fair values of the identifiable assets and liabilities of Redwood Business as at the date of acquisition were as follows:

	Notes	Fair value recognized on acquisition
		USD'000
Property, plant and equipment	13	448
Financial assets at fair value through profit and loss		53,255
Available-for-sale investments		1,195
Other intangible assets	22	28,681
Other non-current assets		580
Deferred tax assets		520
Trade receivables		1,278
Prepayments, other receivables and other assets		7,676
Cash and bank balances		45,730
Bank loans and other borrowings		(917)
Trade payable, accruals and other payables		(17,662)
Deferred tax liabilities	30	(8,604)
Financial liabilities at fair value through profit or loss		(42,819)
Total identifiable net assets at fair value		69,361
Non-controlling interests		(26,662)
Goodwill on acquisition	21	210,480
Satisfied by issuance of ordinary shares		253,179

The fair values of the trade receivables and prepayments, other receivables and other assets as at the date of acquisition amounted to USD1,278,000 and USD7,676,000, respectively. The gross contractual amounts of trade receivables and other receivables were USD1,278,000 and USD7,676,000, respectively.

None of the goodwill recognized is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	USD'000
Cash and bank balances acquired	45,730
Net inflow of cash and cash equivalents included in cash flows generated in investment activities	45,730

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**35. BUSINESS COMBINATION (continued)**

Since the acquisition, Redwood Business contributed USD24,453,000 to the Group's revenue and USD40,506,000 to the consolidated profit for the eleven months period ended 31 December, 2016.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been USD97,277,000 and USD104,772,000, respectively.

- (b) On January 18, 2017, the Group has through its wholly-owned subsidiary, E-Shang Infinity Cayman Limited ("Infinity"), completed the acquisition of 100% interest in Nabinvest Oxley Singapore Pte. Ltd. ("NIOS"), which owns 100% interest in Cambridge Real Estate Investment Management Pte. Ltd. ("CREIM"), 80% indirect interest in Cambridge Industrial Trust Management Limited ("CITM"), the trust manager of Cambridge Industrial Trust ("CIT REIT"), and 100% indirect interest in Cambridge Industrial Property Management Pte. Ltd. ("CIPM"), the property manager of CIT. (NIOS, CREIM, CITM and CIPM, together "Infinitysub Group").

The acquisition of Infinitysub Group was identified as business combination by the management because Infinitysub Group are fully operating companies at the acquisition date and providing private equity fund management services. The subsidiaries in Infinitysub Group have changed their names as followings:

<u>Company name</u>	<u>Formerly known as</u>
Infinitysub Pte. Ltd. ("Infinitysub")	Nabinvest Oxley Singapore Pte. Ltd. ("NIOS")
ESR Investment Management Pte. Ltd. ("ESR IMP")	Cambridge Real Estate Investment Management Pte. Ltd. ("CREIM")
ESR Funds Management (S) Limited ("ESR FMS")	Cambridge Industrial Trust Management Limited ("CITM")
ESR Property Management (S) Pte Ltd. ("ESR PMS")	Cambridge Industrial Property Management Pte. Ltd. ("CIPM")
ESR-REIT	Cambridge Industrial Trust ("CIT REIT")

The Group has elected to measure the non-controlling interest in Infinitysub Group at the proportionate share of its interest in the acquiree's identifiable net assets.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**35. BUSINESS COMBINATION (continued)**

The fair values of the identifiable assets and liabilities of Infinitysub Group as at the date of acquisition were as follows:

	Notes	Fair value recognized on acquisition
		USD'000
Property, plant and equipment	13	179
Right-of-use assets	14	2,010
Financial assets at fair value through profit or loss		2,021
Other current assets		850
Prepayments, other receivables and other assets		319
Other intangible assets	22	26,725
Cash and bank balances		3,025
Tax payables		(455)
Trade payable, accruals and other payables		(783)
Lease liabilities		(2,010)
Deferred tax liabilities		(9)
Total identifiable net assets at fair value		31,872
Non-controlling interests		(3,677)
Goodwill on acquisition	21	15,752
Satisfied by cash and bank balances		<u>43,947</u>

The fair values of the prepayments, other receivables and other assets as at the date of acquisition amounted to USD319,000. The gross contractual amounts of other receivables were USD319,000.

None of the goodwill recognized is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	USD'000
Cash consideration	(43,947)
Cash and bank balances acquired	<u>3,025</u>
Net outflow of cash and cash equivalents included in cash flows generated in investment activities	<u>(40,922)</u>

Since the acquisition, Infinitysub Group contributed USD10,611,230 to the Group's revenue and USD3,726,023 to the consolidated profit for the eleven months period ended December 31, 2017.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been USD153,633,975 and USD201,227,805, respectively.

- (c) On August 10, 2018, the Group has, through its wholly-owned subsidiary ESR Australia, completed the acquisition of 100% interest in Commercial & Industrial Property Pty Ltd ("CIP"), which owns several subsidiaries and joint ventures (the "CIP Group").

The acquisition of CIP Group was identified as business combination by the management as CIP Group is fully operating companies as at the acquisition date and providing construction services.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**35. BUSINESS COMBINATION (continued)**

The fair values of the identifiable assets and liabilities of CIP Group as at the date of acquisition were as follows:

	Notes	Fair value recognized on acquisition USD'000
Property, plant and equipment	13	2,042
Right-of-use assets	14	1,553
Investments in joint ventures		9,010
Investment properties	20	43,225
Other intangible assets	22	6,075
Other non-current assets		14
Deferred tax assets	30	1,037
Trade receivables		9,962
Prepayments, other receivables and other assets		26,678
Cash and bank balances		3,647
Bank loans and other borrowings		(393)
Trade payable, accruals and other payables		(59,651)
Lease liabilities		(1,553)
Other liabilities		(240)
Total identifiable net assets at fair value		41,406
Goodwill on acquisition	21	40,532
Satisfied by cash		81,938

The fair values of the trade receivables and prepayments, deposits and other receivables as at the date of acquisition amounted to USD9,962,000 and USD26,678,000, respectively. The gross contractual amounts of trade receivables and other receivables were USD9,962,000 and USD26,678,000, respectively.

None of the goodwill recognized is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	USD'000
Cash consideration	(81,938)
Cash and bank balances acquired	3,647
Net outflow of cash and cash equivalents included in cash flows generated in investment activities	(78,291)

Since the acquisition, CIP Group contributed USD40,665,000 to the Group's revenue and USD961,000 loss to the consolidated profit for the year ended December 31, 2018.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been USD293,023,000 and USD200,903,000, respectively.

- (d) On October 21, 2018, the Group has, through its subsidiary ESR Funds Management(S) Limited ("ESR FM"), completed the acquisition of a 100% interest in Viva Industrial Trust Management Pte. Ltd. ("VITM").

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**35. BUSINESS COMBINATION (continued)**

The acquisition of VITM was identified as a business combination by the management. VITM is a fully operational company as at the acquisition date and its principal activity is management services in Singapore.

The fair values of the identifiable assets and liabilities of VITM as at the date of acquisition were as follows:

	Notes	Fair value recognized on acquisition
		USD'000
Property, plant and equipment	13	39
Other intangible assets	22	31,670
Deferred tax liability	30	(5,384)
Total identifiable net liabilities at fair value		26,325
Goodwill on acquisition	21	18,618
Satisfied by:		
Cash		14,723
Financial assets at fair value through other comprehensive income		8,459
Consideration payable (note(i))		6,280
Issuance of shares of a subsidiary		15,481
		<u>44,943</u>

Note:

(i) As at December 31, 2018, USD6,280,000 of the consideration has not been paid to the former shareholder of VITM.

None of the goodwill recognized is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	USD'000
Cash consideration	(14,723)
Net outflow of cash and cash equivalents included in cash flows generated in investment activities	<u>(14,723)</u>

Since the acquisition, VITM contributed Nil to the Group's revenue and USD48,000 profit to the consolidated profit for the year ended December 31, 2018.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been USD260,563,000 and USD216,677,000, respectively.

- (e) On March 20, 2019, the Group has, through its wholly-owned subsidiary ESR Real Estate (Australia) Pty Ltd., completed the acquisition of additional 80.1% interest in Propertylink (Holdings) Limited Group (the "PLG Group"). The Group previously held 19.9% interest in PLG Group and accounted as financial assets at fair value through other comprehensive income. Upon acquisition of additional 80.1% interest, PLG Group became a subsidiary of the Group.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**35. BUSINESS COMBINATION (continued)**

The acquisition of PLG Group was identified as a business combination by the management. PLG is a fully operational company as at the acquisition date and its principal activity is management services in Australia.

The fair values of the identifiable assets and liabilities of PLG Group as at the date of acquisition were as follows:

	Notes	Fair value recognized on acquisition date
		USD'000
Property, plant and equipment		212
Right-of-use assets		2,095
Other intangible assets		4,039
Investment properties		608,680
Investments in joint ventures		72,262
Deferred tax assets		4,852
Financial assets at fair value through other comprehensive income		95,822
Prepayments, other receivables and other assets		8,127
Cash and bank balances		4,012
Trade payables, accruals and other payables		(6,237)
Bank loans and other borrowings		(325,368)
Lease liabilities		(12,615)
Total identifiable net assets at fair value		455,881
Goodwill on acquisition	21	41,291
		<u>497,172</u>
Satisfied by:		
Cash		398,285
Financial asset at fair value through other comprehensive income		98,887
		<u>497,172</u>

None of the goodwill recognized is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	USD'000
Cash consideration	(398,285)
Cash and bank balances acquired	4,012
Net outflow of cash and cash equivalents included in cash flows generated in investment activities	<u>(394,273)</u>

Since the acquisition, PLG Group contributed USD15,476,000 to the Group's revenue and USD4,640,000 profit to the consolidated profit for the period ended June 30, 2019.

Had the combination taken place at the beginning of the period, the revenue from continuing operations of the Group and the profit of the Group for the year would have been USD170,102,000 and USD87,481,000, respectively.

- (f) On June 28, 2019, the Group has, through its wholly-owned subsidiary Infinitysub Pte. Ltd., completed the acquisition of additional 51% interest in Sabana Investment Partners

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**35. BUSINESS COMBINATION (continued)**

Pte. Ltd. (the "SIP Group"). The Group previously held effective interest of 42.8% in SIP through a subsidiary and accounted as investment in associates (Note 16). Upon acquisition of additional 51% interest, SIP became a subsidiary of the Group.

The acquisition of SIP Group was identified as a business combination by the management. SIP Group is a fully operational company as at the acquisition date and its principal activity is management services in Singapore.

The fair values of the identifiable assets and liabilities of SIP Group as at the date of acquisition were as follows:

	Notes	Fair value recognized on acquisition date
		USD'000
Property, plant and equipment		14
Right-of-use assets		284
Other intangible assets		15,364
Financial assets at fair value through other comprehensive income		13,861
Other non-current assets		54
Deferred tax assets		4
Prepayments, other receivables and other assets		1,089
Cash and bank balances		3,517
Deferred tax liabilities		(2,619)
Trade payables, accruals and other payables		(11,345)
Lease liabilities		(285)
Total identifiable net assets at fair value		19,938
Non-controlling interests		(798)
Goodwill on acquisition	21	13,570
		<u>32,710</u>
Satisfied by:		
Cash		16,977
Consideration payable		1,276
Investment in associate remeasured at fair value at acquisition date		14,457
		<u>32,710</u>

None of the goodwill recognized is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	USD'000
Cash consideration	(16,977)
Cash and bank balances acquired	<u>3,517</u>
Net outflow of cash and cash equivalents included in cash flows generated in investment activities	<u>(13,460)</u>

Since the acquisition, SIP contributed Nil to the Group's revenue and profit to the consolidated profit for the period ended June 30, 2019.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**35. BUSINESS COMBINATION (continued)**

Had the combination taken place at the beginning of the period, the revenue from continuing operations of the Group and the profit of the Group for the year would have been USD159,073,000 and USD84,757,000, respectively.

(g) Acquisition of subsidiaries that are not business

Year ended December 31, 2016

The Company, through its wholly owned subsidiary, Savior Offshore Holdings (BVI) Limited, entered into share purchase agreement with independent third parties, Prax Capital China Logistics Holding Limited, Prax Capital China Real Estate Fund III, L.P., Prax Capital China Real Estate Fund III GP, LTD., Terpanic S.A.R.L., S.P.F. and JP Great International INC., to acquire 100% equity interests of Wuhan Minglong Warehousing Company Limited ("Wuhan Minglong"), Wuhan Mingju Supply Chain Development Company Limited ("Wuhan Mingju"), Tianjin Mingcheng Warehousing Company Limited ("Tianjin Mingcheng") and Taicang Mingzhan Logistics Company Limited ("Taicang Mingzhan") for an aggregate purchase price of USD88,052,000 in cash. The acquisition of Wuhan Minglong was completed on September 22, 2016, and the rest acquisitions were completed on October 20, 2016.

On the acquisition date, there were no other material assets and liabilities carried by Wuhan Minglong, Wuhan Mingju, Tianjin Mingcheng and Taicang Mingzhan other than cash and bank balances and investment properties under construction. The transaction was accounted for as an asset acquisition.

	<u>Wuhan Mingju</u>	<u>Tianjin Mingcheng</u>	<u>Taicang Mingzhan</u>	<u>Wuhan Minglong</u>
	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>
Net assets acquired:				
Cash and bank balances	768	390	—	911
Trade receivables	—	527	—	—
Prepayments, other receivables and other assets	39	51	—	—
Investment properties	46,747	31,081	44,624	9,635
Deferred tax assets	135	671	932	32
Trade payables, accruals and other payables	(1,274)	(1,263)	(6,989)	380
Bank loans and other borrowings	(8,088)	(10,309)	(20,948)	—
Satisfied by cash	<u>38,327</u>	<u>21,148</u>	<u>17,619</u>	<u>10,958</u>

An analysis of the cash flows in respect of the acquisition of subsidiary is as follows:

	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>	<u>USD'000</u>
Cash consideration	(38,327)	(21,148)	(17,619)	(10,958)
Cash and bank balances acquired	<u>768</u>	<u>390</u>	<u>—</u>	<u>911</u>
Net outflow of cash and cash equivalents included in cash flows generated in investment activities	<u>(37,559)</u>	<u>(20,758)</u>	<u>(17,619)</u>	<u>(10,047)</u>

Year ended December 31, 2017

The Company, through its wholly owned subsidiary, RAIL, entered into share purchase agreement with independent third parties, Phoenix Global Real Estate Secondaries 2009 LP, to acquire

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**35. BUSINESS COMBINATION (continued)**

Year ended December 31, 2017 (continued)

the 100% equity interests of Redwood Phoenix China Investment Fund Pte Ltd (“RPCIF”) for an aggregate purchase price of USD23,665,000 in cash. The acquisition of RPCIF was completed on August 15, 2017. RPCIF holds 65% interests of Mingyue Logistic Pte Ltd which hold 90% of Guangzhou Mingyue Warehousing Co., Ltd.

On the acquisition date, there were no other material assets and liabilities carried by RPCIF other than cash and bank balances and investment properties. The transaction was accounted for as an asset acquisition.

The Company, through its wholly-owned subsidiary, Shanghai Dongjin Shiye Co., Ltd., entered into share purchase agreement with independent third party, Nanjing Yurun Food Co., Ltd, to acquire 100% equity interests of Shanghai Yurun Meat Food Co., Ltd. (“Shanghai Yurun”) for an aggregate purchase price of USD72,763,000 in cash. The acquisition of Shanghai Yurun was completed on September 30, 2017. On the acquisition date, there were no other material assets and liabilities owned by Shanghai Yurun other than cash and bank balances and investment properties under construction. The transaction was accounted for as an asset acquisition.

The Company, through its wholly-owned subsidiary, Impulse Singapore Holding Pte. Ltd., entered into share purchase agreement with independent third party, Shanghai Anbixin Investment and Consulting Co. Ltd, to acquire 100% equity interests of Chongqing Yongxiang Market Management Co., Ltd. (“Chongqing Yongxiang”) for an aggregate purchase price of USD579,000 in cash. The acquisition of Chongqing Yongxiang was completed on April 30, 2017.

On the acquisition date, there were no other material assets and liabilities owned by Chongqing Yongxiang other than cash and bank balances and deposit for land acquisition. The transaction was accounted for as an asset acquisition.

	<u>RPCIF</u>	<u>Shanghai</u>	<u>Chongqing</u>
	<u>USD'000</u>	<u>Yurun</u>	<u>Yongxiang</u>
		<u>USD'000</u>	<u>USD'000</u>
Net assets acquired:			
Cash and bank balances	4,676	—	4
Trade receivables	1,711	—	—
Prepayments, other receivables and other assets	574	—	602
Property, plant and Equipment	5	—	—
Investment properties	64,029	72,763	—
Bank loans and other borrowings	(17,003)	—	—
Trade payables, accruals and other payables	(6,389)	—	(27)
Deferred tax liabilities	(2,198)	—	—
Non-controlling interests	(21,740)	—	—
Satisfied by cash	<u>23,665</u>	<u>72,763</u>	<u>579</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**35. BUSINESS COMBINATION (continued)**

Year ended December 31, 2017 (continued)

An analysis of the cash flows in respect of the acquisition of subsidiary is as follows:

	<u>RPCIF</u>	<u>Shanghai</u>	<u>Chongqing</u>
	<u>USD'000</u>	<u>Yurun</u>	<u>Yongxiang</u>
Cash consideration	(23,665)	(72,763)	(579)
Cash and bank balances acquired	4,676	—	4
Net outflow of cash and cash equivalents included in cash flows generated in investment activities	<u>(18,989)</u>	<u>(72,763)</u>	<u>(575)</u>

Year ended December 31, 2018

The Company, through its wholly owned subsidiary, Delte Offshore Holdings (BVI) Limited, entered into share purchase agreement with an independent third-party Ambition Mind Holdings Limited, to acquire 90% equity interests of Tianjin Fanxin Warehousing Service Co., Ltd. ("Tianjin Fanxin") for an aggregate purchase price of USD31,198,000 in cash. The acquisition of Tianjin Fanxin was completed on August 2, 2018.

On the acquisition date, there were no other material assets and liabilities carried by Tianjin Fanxin other than cash and bank balances and investment properties. The transaction was accounted for as an asset acquisition.

The Company, through its wholly owned subsidiary, Redwood Investor (Higashi) Ltd, entered into Sales and Purchase Agreement with Fupeng Investment Management Limited to acquire the outstanding 35% equity interests of Higashi for an aggregate purchase price of USD52,485,000 in cash. The acquisition of Higashi was completed on June 29, 2018. As a result of this purchase, RAIL's interest in Higashi was increased from 35% to 70%.

On the acquisition date, there were no other material assets and liabilities carried by Higashi other than cash and bank balances and investment properties. The transaction was accounted for as an asset acquisition.

On October 1, 2018, the Group has, through its subsidiary Shanghai Chukai Enterprise Management Consulting Co., Ltd., completed the acquisition of a 100% interest in Shanghai Jiangnan Ships and Boats Manufacturing Co., Ltd. (上海江南船艇製造有限公司) ("Jiangnan Chuanting"), for a purchase consideration of USD8,854,000.

On the acquisition date, there were no other material assets and liabilities carried by Jiangnan Chuanting other than other receivables and other payables balance, and investment properties. The transaction was accounted for as an asset acquisition.

On December 4, 2018, the Group has, through its subsidiary Infinitysub Pte. Ltd. ("Infinitysub"), completed the acquisition of a 90% interest in Blackwood Trust Pte. Ltd. ("BWT"), which owns a 100% direct interest in Blackwood Investment Pte. Ltd. ("BWI"), a 45% indirect interest in Sabana Investment Partners Pte. Ltd. ("SIP"), SIP owns a 100% indirect interest in Sabana Property

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**35. BUSINESS COMBINATION (continued)**

Year ended December 31, 2018 (continued)

Management Pte. Ltd. ("Sabana Property") and a 100% indirect interest in Sabana Real Estate Investment Management Pte. Ltd. ("Sabana IM") (BWT, BWI, SIP, Sabana Property and Sabana IM, together "Blackwood Group"). The aggregate purchase consideration is USD8,465,000. On January 10, 2019, the Group has, through its subsidiary Infinitysub, acquired additional 5% interest in BWT with purchase consideration of USD2,652,000.

On the acquisition date, there were no other material assets and liabilities carried by Blackwood Group other than investment in associate. The transaction was accounted for as an asset acquisition.

	Note	Tianjin Fanxin USD'000	Higashi USD'000	Jiangnan Chuanting USD'000	Blackwood Group USD'000
Net assets acquired:					
Cash and bank balances		2,968	21,722	—	—
Trade receivables		427	1,405	—	—
Prepayments, other receivables and other assets		35	—	6,825	2
Investment properties		61,748	379,268	9,417	—
Investment in an associate		—	—	—	9,151
Bank loans and other borrowings		(29,045)	(211,376)	—	—
Trade payables, accruals and other payables		(1,296)	(13,564)	(7,388)	(14)
Deferred tax liabilities	30	—	(10,350)	—	—
Non-controlling interests		(3,484)	(53,284)	—	(674)
		<u>31,353</u>	<u>113,821</u>	<u>8,854</u>	<u>8,465</u>
Satisfied by:					
Cash		31,353	52,485	8,854	4,969
Financial assets at fair value through profit or loss (note(i))		—	61,336	—	—
Investment in a joint venture (note(ii))		—	—	—	3,496
		<u>31,353</u>	<u>113,821</u>	<u>8,854</u>	<u>8,465</u>

An analysis of the cash flows in respect of the acquisition of subsidiary is as follows:

	Tianjin Fanxin USD'000	Higashi USD'000	Jiangnan Chuanting USD'000	Blackwood Group USD'000
Cash consideration	(31,353)	(52,485)	(8,854)	(4,969)
Cash and bank balances acquired	2,968	21,722	—	—
Net outflow of cash and cash equivalents included in cash flows generated in investment activities	<u>(28,385)</u>	<u>(30,763)</u>	<u>(8,854)</u>	<u>(4,969)</u>

Note:

- The total consideration includes the 35% equity interest of Higashi held by the Group before the acquisition date.
- On September 11, 2018, Infinitysub signed sale contracts with shareholders of Blackwood to acquire 30% of the shares in the capital of Blackwood, for a purchase consideration of SGD4,720,000.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**35. BUSINESS COMBINATION (continued)**

Six months ended June 30, 2019

The Company, through its wholly owned subsidiary, Zeta Offshore Holdings (BVI) Limited, entered into share purchase agreement with independent third-parties Barn Holding Pte. Limited and TCL Electronics Holdings Limited, to acquire 100% equity interests of Lekun Warehousing (Wuxi) Co., Ltd. ("Wuxi Lekun") for an aggregate purchase price of USD38,591,000 in cash. The acquisition of Wuxi Lekun was completed on March 14, 2019.

On the acquisition date, there were no other material assets and liabilities carried by Wuxi Lekun other than cash and bank balances, bank loans and other borrowings and investment properties. The transaction was accounted for as an asset acquisition.

	<u>Wuxi Lekun</u> USD'000
Net assets acquired:	
Cash and bank balances	1,344
Trade receivables	10
Prepayments, other receivables and other assets	70
Investment properties	63,342
Bank loans and other borrowings	(24,873)
Trade payables, accruals and other payables	<u>(1,302)</u>
Satisfied by cash	<u>38,591</u>

An analysis of the cash flows in respect of the acquisition of subsidiary is as follows:

	<u>Wuxi Lekun</u> USD'000
Cash consideration	(38,591)
Cash and bank balances acquired	<u>1,344</u>
Net outflow of cash and cash equivalents included in cash flows generated in investment activities	<u>(37,247)</u>

36. INTERESTS IN THE UNCONSOLIDATED STRUCTURED ENTITIES

As at December 31, 2016, 2017, 2018 and June 30, 2019, total of 24, 30, 24 and 25 assets are currently under management of ESR Singapore as its investment manager to manage the operations of those assets to earn fee income based on their capital contributed by investors, development costs incurred on real estate projects, or for the acquisition advisory service and brokerage service rendered by ESR Singapore. The assets have been designed so that voting and similar rights are not the dominant factor in deciding how the investing activities should be conducted and are financed through the issue of ownership interest instrument to investors. ESR Singapore did not provide any financial support and has no intention of providing financial or any other support.

As at December 31, 2016, 2017, 2018 and June 30, 2019, RAIL considers its equity investments in 12, 15, 20 and 24 investment funds to be interests in unconsolidated structured entities. The investment funds are designed so that the management rights are not the dominant factor in deciding who controls them.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**36. INTERESTS IN THE UNCONSOLIDATED STRUCTURED ENTITIES (continued)**

The table below describes the type of structured entities that the Group does not consolidate but in which it holds an interest.

<u>Type of structured entity</u>	<u>Nature and purpose</u>	<u>Interest held by the Group</u>
Investment funds held through RAIL	To generate investment returns from the funds managed by a related company	Investments in equity and preference share issued by the investment funds
Investment funds held through ESR Singapore	To generate fees from managing contributed capital on behalf of investors, managing project development, rendering acquisition advisory service or brokerage service. These vehicles are financed through the issue of ownership interest instruments to investors.	Investment management fees and development fees, acquisition fees and leasing fees

The Group earned a total gross fee income of USD24,459,000, USD21,060,000, USD44,621,000 and USD23,372,039 from the real estate funds for the years ended December 31, 2016, 2017, 2018 and the period ended June 30, 2019, respectively. As at December 31, 2016, 2017, 2018 and June 30, 2019, the Group's maximum exposure to loss as a result of acting as the investment manager of the real estate funds was equivalent to the carrying amount of fee income receivable from them amounting to USD1,327,000, USD5,919,000, USD25,785,000 and USD14,691,000 and the carrying amount of the investments amounting to USD141,708,000, USD244,255,000, USD275,160,000 and USD420,273,000, respectively.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**37. DISPOSAL OF SUBSIDIARIES**

On January 26, 2016, the Group contributes 100% interests in a subsidiary Gachang Holding Pte. Ltd., which holds 100% interests of Gachang Logistics Park Private Inc., as investment in Sunwood Star.

	USD'000
Net assets disposed of:	
Cash and bank balances	1,179
Prepayments, trade and other receivables and other assets	28,900
Other non-current assets	17,058
Trade payables, accruals, other payables and income tax payable	(718)
Amount due to related parties	(28,614)
Non-controlling interests	(205)
	<u>17,600</u>
Gain on disposal of subsidiaries	32
	<u>17,632</u>
Satisfied by:	
Cash	13,923
Investment in a joint venture	3,709
	<u>17,632</u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	USD'000
Cash consideration	13,923
Cash and bank balances disposed of subsidiaries	(1,179)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>12,744</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**37. DISPOSAL OF SUBSIDIARIES (continued)**

On August 30, 2017, e-Shang Fortune HK Limited, e-Shang Sky HK Limited and Action Alpha Limited, wholly-owned subsidiaries of the Company, entered into an agreement with Shenzhen Jing Shun Rui Fu Equity Investment Limited Partnership ("Invesco Fund"), to dispose the 83.75% interests in three subsidiaries, which are Shanghai Fengyuan Logistics Co., Ltd. ("Shanghai Fengyuan"), Jiangsu Yitian Warehousing Services Co., Ltd. ("Jiangsu Yitian") and Taicang Mingzhan Logistics Company Limited ("Taicang Mingzhan").

	USD'000
Net assets disposed of:	
Cash and bank balances	28,227
Prepayments, trade and other receivables and other assets	23,044
Property, plant and equipment	3
Investment properties	295,690
Deferred tax assets	1,321
Trade payables, accruals, other payables and income tax payable	(16,472)
Bank loans and other borrowings	(120,372)
Deferred tax liabilities	(34,932)
	<u>176,509</u>
Exchange fluctuation reserve	780
Gain on disposal of subsidiaries	<u>38,311</u>
	<u>215,600</u>
Satisfied by:	
Cash	178,727
Investments in financial assets at fair value through profit or loss*	<u>36,873</u>
	<u>215,600</u>

* The Group holds 16.35% interests in Shanghai Fengyuan, Jiangsu Yitian and Taicang Mingzhan after the disposal, which is recognized as financial assets at fair value through profit or loss.

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	USD'000
Cash consideration	178,727
Cash and bank balances disposed of subsidiaries	<u>(28,227)</u>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>150,500</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**37. DISPOSAL OF SUBSIDIARIES (continued)**

On November 23, 2018, the Group entered into an agreement with a global real-estate investor based in Germany to dispose of 50% interest in its subsidiary ESR India Logistics Fund Pte. Ltd.

	USD'000
Net assets disposed of:	
Cash and bank balances	11,415
Prepayments, trade and other receivables and other assets	38,205
Investment properties	514
Investment in joint ventures	3,484
Other non-current assets	8,593
Trade payables, accruals, other payables and income tax payable	(66,015)
	(3,804)
Exchange fluctuation reserve	1,142
Gain on disposal of subsidiaries	2,662
	—
Satisfied by:	
Investments in financial assets at fair value through profit or loss*	—

* The Group will hold a 50.00% interest in ESR India Logistics Fund Pte. Ltd., after the disposal, which is recognized in financial assets at fair value through profit or loss.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**37. DISPOSAL OF SUBSIDIARIES (continued)**

During the six months ended June 30, 2019, E-shang Action Wealth HK, Shanghai Dongjin, E-shang Jiadong Investment, E-shang Talent HK, E-shang Action Growth HK, E-shang Wealth HK and E-shang Action Rocks HK, wholly-owned subsidiaries of the Company, entered into an agreement with Shanghai Yishang Logistics Equity Investment Partnership (“Xinhua Fund”), to dispose the 99.99% interests in seven subsidiaries, which are Hangzhou Mingpu, Shanghai Yita, Shanghai Xinbin, Shanghai Moya, Tianjin Mingcheng, Shanghai Donghe and Wuhan Mingju (“Disposed subsidiaries”).

	USD'000
Net assets disposed of:	
Cash and bank balances	20,851
Prepayments, trade and other receivables and other assets	58,391
Investment properties	276,711
Property, plant and equipment	2
Deferred tax assets	1,146
Other non-current assets	1,492
Trade payables, accruals, other payables and income tax payable	(48,481)
Deferred tax liabilities	(28,515)
Bank loans and other borrowings	(84,315)
Other non-current liabilities	(4,481)
	192,801
Exchange fluctuation reserve	4,901
Gain on disposal of subsidiaries	16,495
	<u>214,197</u>
Satisfied by:	
Cash	140,234
Consideration receivable	73,941
Investments in financial assets at fair value through profit or loss*	22
	<u>214,197</u>

* The Group hold 0.01% interests in the disposed subsidiaries after the disposal, which is recognized as financial assets at fair value through profit or loss.

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	USD'000
Cash consideration	140,234
Cash and bank balances disposed of subsidiaries	(20,851)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>119,383</u>

38. CONTINGENT LIABILITIES

As at the end of each of the Relevant Periods, neither the Group nor the Company had any significant contingent liabilities.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**39. PLEDGE OF ASSETS**

Details of the Group's interest-bearing bank loans and other borrowings, which are secured by the assets of the Group, are included in note 27 to the Historical Financial Information.

40. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS**(a) Major non-cash transactions**

In January 2016, the Company entered into Share Subscription and Merger Agreement with RIC and its controlling shareholders, to issue 389,933,535 ordinary shares of the Company to RIC in exchange for the 100% equity interests in Redwood business.

(b) Changes in financial liabilities arising from financing activities

	Bank and other loans	Liabilities component of the redeemable convertible preference shares	Interest payable	Other payable—due to related parties	Lease liabilities
	USD'000	USD'000	USD'000	USD'000	USD'000
At January 1, 2016	501,523	—	914	8,024	1,052
Changes from financing cash flows	337,508	246,156	(55,772)	(6,649)	(1,540)
Interest expense	—	—	55,895	—	97
Addition	—	—	—	—	4,660
Acquisition of subsidiaries	40,262	—	—	—	—
Foreign exchange movements	(44,028)	—	(39)	(403)	(20)
At December 31, 2016	<u>835,265</u>	<u>246,156</u>	<u>998</u>	<u>972</u>	<u>4,249</u>

	Bank and other loans	Liabilities component of the redeemable convertible preference shares	Interest payable	Other payable—due to related parties	Lease liabilities
	USD'000	USD'000	USD'000	USD'000	USD'000
At January 1, 2017	835,265	246,156	998	972	4,249
Changes from financing cash flows	35,540	(23,284)	(46,700)	(2,167)	(2,546)
Changes in investing cash flows— additions to investment properties ...	—	—	(4,720)	—	—
Acquisition of subsidiaries	17,003	—	—	—	2,010
Addition	—	—	—	—	3,562
Foreign exchange movements	65,999	—	41	68	393
Interest expense	—	41,327	49,285	—	291
Capitalized interest expense	—	—	4,720	—	—
Repayment of non-current liabilities— due to related parties	—	—	—	1,858	—
Disposal of subsidiaries	(120,372)	—	—	—	—
At December 31, 2017	<u>833,435</u>	<u>264,199</u>	<u>3,624</u>	<u>731</u>	<u>7,959</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**40. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)****(b) Changes in financial liabilities arising from financing activities (continued)**

	Bank and other loans	Liabilities component of the redeemable convertible preference shares	Interest payable	Other payable—due to related parties	Lease liabilities
	USD'000	USD'000	USD'000	USD'000	USD'000
At January 1, 2018	833,435	264,199	3,624	731	7,959
Changes from financing cash flows	389,312	(13,031)	(54,615)	1,197	(3,616)
Changes in investing cash flows— additions to investment properties ...	—	—	(2,430)	—	—
Foreign exchange movements	(23,118)	—	(83)	705	(198)
Interest expense	—	45,610	58,891	—	428
Capitalized interest expense	—	—	2,430	—	—
Addition	—	—	—	—	3,559
Acquisition of subsidiaries	260,844	—	—	—	1,553
At December 31, 2018	<u>1,460,473</u>	<u>296,778</u>	<u>7,817</u>	<u>2,633</u>	<u>9,685</u>

	Bank and other loans	Liabilities component of the redeemable convertible preference shares	Interest payable	Other payable—due to related parties	Lease Liabilities
	USD'000	USD'000	USD'000	USD'000	USD'000
At January 1, 2018	833,435	264,199	3,624	731	7,959
Changes from financing cash flows (unaudited)	136,773	(6,919)	(22,806)	(254)	(1,678)
Changes in investing cash flows— additions to investment properties (unaudited)	—	—	(827)	—	—
Foreign exchange movements (unaudited)	(5,028)	(57)	—	—	(79)
Interest expense (unaudited)	—	23,318	23,260	—	214
Capitalized interest expense (unaudited)	—	—	827	—	2,885
Acquisition of subsidiaries (unaudited)	211,376	—	—	—	—
At June 30, 2018 (unaudited)	<u>1,176,556</u>	<u>280,541</u>	<u>4,078</u>	<u>477</u>	<u>9,306</u>

	Bank and other loans	Liabilities component of the redeemable convertible preference shares	Interest payable	Other payable—due to related parties	Lease liabilities
	USD'000	USD'000	USD'000	USD'000	USD'000
At January 1, 2019	1,460,473	296,778	7,817	2,633	9,685
Changes from financing cash flows	1,060,631	(6,869)	(42,711)	805	(2,433)
Changes in investing cash flows— additions to investment properties ...	—	—	(1,615)	—	—
Foreign exchange movements	16,706	—	—	—	(191)
Interest expense	—	26,101	58,176	—	701
Capitalized interest expense	—	—	1,615	—	—
Addition	—	—	—	—	3,746
Acquisition of subsidiaries	350,241	—	—	—	12,900
Disposal of subsidiaries	(84,315)	—	—	—	—
At June 30, 2019	<u>2,803,736</u>	<u>316,010</u>	<u>23,282</u>	<u>3,438</u>	<u>24,408</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**41. COMMITMENTS****(a) Operating lease commitments**

As lessor

The Group leases out its completed investment properties under operating lease arrangements on terms ranging from one to ten years and with an option for renewal after the expiry dates, at which time all terms will be renegotiated.

At the end of each of the Relevant Periods, the Group had total future minimum lease receivable under non-cancellable operating leases with its tenants falling due as stated in note 20.

(b) Capital commitments

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Contracted, but not provided for investment properties	70,743	57,648	306,725	326,872
Contracted, but not provided for plant and machinery	—	—	—	11,143
Authorized, but not contracted for investment properties . .	—	—	—	49,933
Undrawn capital calls to real estate investment funds	213,670	48,503	50,581	392,786
	<u>284,413</u>	<u>106,151</u>	<u>357,306</u>	<u>780,734</u>

42. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the Historical Financial Information, the Group had the following material transactions with related parties during the Relevant Periods:

(a) Transactions with related parties:

	Year ended December 31			Six months ended June 30	
	2016	2017	2018	2018	2019
	USD'000	USD'000	USD'000	USD'000 (unaudited)	USD'000
Associates:					
-Management fees income (note(i))	1,937	4,493	2,358	944	1,839
-Advances to associates (note(ii))	—	335	—	—	—
-Advances from associates (note(ii))	—	92	—	—	—
Joint ventures:					
-Management fees income (note(i))	17,006	25,522	30,256	18,232	10,786
-(Repayments from) /advances to joint ventures (note(ii))	(3,158)	594	3,652	1,099	4,408
-(Repayment to)/advances from joint ventures (note(ii))	(6,649)	(2,167)	(1,197)	(254)	805
Companies controlled by the directors:					
-Advance to the directors (note(iii))	4,500	—	—	—	—
-Construction costs (note(iv))	107	12,126	—	—	—
Director:					
-Advance to/ (repayment from) a related party (note(v))	<u>492</u>	<u>(492)</u>	<u>—</u>	<u>—</u>	<u>—</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**42. RELATED PARTY TRANSACTIONS (continued)****(a) Transactions with related parties (continued):***Notes:*

- (i) The Group and its subsidiaries entered into agreements with E-Shang Star's and Sunwood Star's operating subsidiaries and some associates to charge management service, which comprised of the followings:
- Land acquisition fee at certain percentage of the net land cost;
 - Development fee at certain percentage of total budget of project development cost during the construction period;
 - Asset management fee at certain percentage of the aggregate costs of the project before stabilization or fair value after stabilization; and
 - Leasing fee in respect of each new lease entered into.
- (ii) (Repayment from)/ advances to related parties and (repayment to)/ advances from related parties are unsecured, interest-free and repayable on demand.
The maximum amount due from related parties outstanding during the years ended December 31, 2016, 2017, 2018 and six months ended June 30, 2019 are USD5,426,000, USD7,507,000, and USD13,774,000, USD11,513,000 respectively.
- (iii) The Group provided loans to Rosy Fortune Limited, an entity associated with Jinchu Shen, and Redwood Consulting (Cayman) Limited, which is owned as to 50.0% and 50.0% by Mr. Stuart Gibson and Mr. Charles Alexander Portes, two of our executive Directors, with amounts of USD1,500,000 and USD3,000,000, respectively, which is interest-free and unsecured. The loans will be forgiven at the earlier of five years from the closing and three years from initial public offering if the Directors are still employed.
- (iv) A company controlled by a director, Sun Dongping, who resigned on August 18, 2017, provides service to certain subsidiaries. The directors consider that the construction costs were made according to the conditions similar to those offered to the major suppliers.
- (v) The Group provided a loan to a director Stuart Gibson with amount of USD500,000 for a period of 24 months, which is interest-free and unsecured.

(b) Compensation of key management personnel of the Group:

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Short term employee benefits	4,762	5,007	5,461	2,600
Post-employment benefits	53	51	51	16
Share based payment	—	10,038	8,737	5,422
Total compensation paid to key management personnel	<u>4,815</u>	<u>15,096</u>	<u>14,249</u>	<u>8,038</u>

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

43. SHARE CAPITAL

	As at December 31			As at June 30
	2016	2017	2018	2019
	'000	'000	'000	'000
Authorized number of shares	<u>3,300,000</u>	<u>3,800,000</u>	<u>4,400,000</u>	<u>4,400,000</u>

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Issued and fully paid:	<u>1,963</u>	<u>2,335</u>	<u>2,689</u>	<u>2,689</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**43. SHARE CAPITAL (continued)**

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Issued capital USD'000	Share Premium account USD'000	Total USD'000
At January 1, 2016	1,572,944,937	1,573	246,985	248,558
Issuance of new shares (note (i))	389,933,535	390	252,789	253,179
At December 31, 2016 and January 1, 2017	1,962,878,472	1,963	499,774	501,737
Issuance of new shares (note (ii))	371,941,956	372	472,961	473,333
At December 31, 2017 and January 1, 2018	2,334,820,428	2,335	972,735	975,070
Issuance of new shares (note (iii))	266,942,708	267	345,893	346,160
Share options exercised (note (iv))	32,472,131	32	25,066	25,098
Transferred from equity component of warrant instrument (note 31)	54,684,608	55	26,704	26,759
At December 31, 2018 and January 1, 2019	2,688,919,875	2,689	1,370,398	1,373,087
At June 30, 2019	2,688,919,875	2,689	1,370,398	1,373,087

Note:

- (i) In January 2016, the Company issued 389,933,535 ordinary shares to Redwood Investment Company Ltd. ("RIC") to acquire 100% equity interests of Redwood Business.
- (ii) On August 3, 2017, the Company issued 261,930,955 ordinary shares to a new shareholder for a total cash consideration totaled USD333,333,333.
On November 29, 2017, the Company issued 110,011,001 ordinary shares to six new shareholders for cash considerations of USD140,000,000.
- (iii) On 10 May 2018, the Company issued 240,578,861 ordinary shares to a new shareholder for cash considerations of USD306,160,659.
On June 13, 2018, the Company issued 26,363,847 ordinary shares to a new shareholder for cash considerations of USD40,000,000.
- (iv) 32,472,131 share options were exercised at the exercise price of USD0.46 per share (note 44), resulting in the issue of 32,472,131 shares for a total cash consideration, before expenses, of USD14,937,000. An amount of USD10,161,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

44. SHARE OPTION PLAN

The Company operates share option plans (the "Plans") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Plans include the Company's shareholders, directors, senior management and other eligible participants.

(a) Tier 1 ESOP

A plan (the "Tier 1 ESOP") became effective on April 20, 2017 and, unless otherwise canceled or amended, will remain in force until the earlier of the date which is:

- (i) 5 years from January 20, 2016; or
- (ii) 3 years from the date of an initial public offerings.

(b) KM ESOP

The other plan (the "KM ESOP") became effective on November 24, 2017 and, unless otherwise canceled or amended, will remain in force for 10 years from that date.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**44. SHARE OPTION PLAN (continued)****(b) KM ESOP (continued)**

According to KM ESOP, the board of directors (the “Board”) may, at its discretion, grant to any eligible participants an option at the exercise price over the whole number of shares it decides. The Board will decide the exercise price which will be stated at the date of grant.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the Board.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

The following share options were outstanding under the Plans during the Relevant Periods:

	Weighted average exercise price	Number of options
	USD'000	'000
At January 1, 2016, December 31, 2016 and January 1, 2017	0.25	6,947
Granted during the year	0.46	100,069
Forfeited during the year	0.25	(2,758)
At December 31, 2017 and at January 1, 2018		<u>104,258</u>
Granted during the year	0.81	53,571
Exercised during the year	0.46	(32,472)
At December 31, 2018 and at January 1, 2019		<u>125,357</u>
Granted during the period	1.49	<u>5,797</u>
At June 30, 2019		<u>131,154</u>

No share options were exercised during the year ended December 31, 2017 and the six months ended June 30, 2019 and 32,472,131 share options were exercised during the year ended December 31, 2018.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**44. SHARE OPTION PLAN (continued)****(b) KM ESOP (continued)**

The exercise prices and exercise periods of the share options outstanding as at the end of each of the Relevant Periods are as follows:

2016 Number of options '000	Exercise price USD Per share	Exercise period
6,947	0.2520	01-02-19 to 31-01-24
2017 Number of options '000	Exercise price USD Per share	Exercise period
4,189	0.2520	01-02-19 to 31-01-24
100,069	0.4600	20-04-17 to 20-01-26
104,258		
2018 Number of options '000	Exercise price USD Per share	Exercise period
4,189	0.2520	01-02-19 to 31-01-24
67,597	0.4600	20-04-17 to 20-01-26
4,652	0.9445	01-01-23* to 31-12-27
15,247	0.4722	01-01-23* to 11-12-27
32,799	0.9445	01-01-23* to 14-01-28
873	1.1453	16-08-23* to 15-08-28
125,357		
2019 Number of options '000	Exercise price USD Per share	Exercise period
4,189	0.2520	01-02-19 to 31-01-24
67,597	0.4600	20-04-17 to 20-01-26
4,652	0.9445	01-01-23* to 31-12-27
15,247	0.4722	01-01-23* to 22-02-29
32,799	0.9445	01-01-23* to 19-05-29
873	1.1453	16-08-23* to 15-08-28
1,098	1.3655	26-02-24* to 25-02-29
3,710	1.5172	26-02-24* to 25-02-29
989	1.5172	20-05-24* to 19-05-29
131,154		

* Participants will have an unconditional right to exercise an option to the extent that it is vested after the earliest of the followings:

- an IPO;
- an Early Vesting Event;
- 5 years of the date of grant.

If there is (i) a sale of all or substantially all of the shares in; or (ii) a disposal of all or substantially all of the business of the member of the Group of which a participant is a director or by which the participant is employed, as appropriate, by way of trade sale or by way of sale to a third party (an "Early Vesting Event"), any options granted to the participant will vest in full on the occurrence of the Early Vesting Event.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**44. SHARE OPTION PLAN (continued)****(b) KM ESOP (continued)**

The fair value of the share options granted in 2017 was approximately USD31,304,000 (USD0.31 each), of which the Group recognized a share option expense of approximately USD11,923,000, USD6,293,000 and USD3,127,000 during the year ended December 31, 2017, during the year ended December 31, 2018, and during the period ended June 30, 2019, respectively.

The fair value of the share options granted in 2018 was approximately USD36,456,000 (USD0.68 each), of which the Group recognized a share option expense of approximately USD16,864,000 and USD5,851,000 during the year ended December 31, 2018 and during the period ended June 30, 2019, respectively.

The fair value of the share options granted in 2019 was approximately USD2,640,000 (USD0.46 each), of which the Group recognized a share option expense of approximately USD907,000 during the period ended June 30, 2019.

The fair value of equity-settled share options granted during the Relevant Periods, was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2017	2018	2019
Dividend yields (%)	—	—	—
Volatility	33.68	32.70-34.41	20.09
Risk-free interest rate (%)	2.33	2.33-3.11	2.26-2.77
Expected life of options (year)	8.8	8.8-10	10.00

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur.

No other feature of the options granted was incorporated into the measurement of fair value.

At December 31, 2016, the Company had 6,947,000 share options outstanding under the Plans. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 6,947,000 additional ordinary shares of the Company and additional share capital and share premium of USD1,715,000 (before issue expenses).

At December 31, 2017, the Company had 104,258,000 share options outstanding under the Plans. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 104,258,000 additional ordinary shares of the Company and additional share capital and share premium of USD47,087,000 (before issue expenses).

At the December 31, 2018, the Company had 125,357,000 share options outstanding under the Plans. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 125,357,000 additional ordinary shares of the Company and additional share capital and share premium of USD75,722,000 (before issue expenses).

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**44. SHARE OPTION PLAN (continued)****(b) KM ESOP (continued)**

At the June 30, 2019, the Company had 131,154,000 share options outstanding under the Plans. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 131,154,000 additional ordinary shares of the Company and additional share capital and share premium of USD84,351,000 (before issue expenses).

Subsequent to the end of the Relevant Periods, there is no new share options granted.

At the date of approval of the Historical Financial Information, the Company had 131,154,000 share options outstanding under the Plans, which represented approximately 4.66% of the Company's shares in issue as at that date.

45. PERPETUAL CAPITAL SECURITIES

On June 7, 2017, the Company issued subordinated perpetual capital securities with an aggregate net proceeds equivalent to USD98,845,000.

The distribution rate is 8.25% per annum, with the first distribution rate resets falling on June 7, 2020 and subsequent resets occurring every three years thereafter. Distributions are payable semi-annually in arrears. Subject to the relevant terms and conditions in the offering circular, the Company may elect to defer making distributions on the perpetual capital securities and is not subject to any limits as to the number of times a distribution can be deferred.

The perpetual capital securities may be redeemed at the option of the Company, on June 7, 2020 or upon the occurrence of certain redemption events specified in the conditions of the issuance. The perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated statements of financial position.

Movements of the perpetual capital securities are as follows:

	Principal	Distribution	Total
	USD'000	USD'000	USD'000
Balance as at January 1, and December 31, 2016 and January 1, 2017	—	—	—
Issuance of perpetual capital securities	100,000	—	100,000
Direct issuing costs attributable to the perpetual capital securities	(1,155)	—	(1,155)
Profit attributable to holders of perpetual capital instruments	—	4,125	4,125
Distribution to holders of perpetual capital instruments	—	(4,125)	(4,125)
At December 31, 2017 and January 1, 2018	98,845	—	98,845
Repurchase of perpetual capital securities	(1,466)	—	(1,466)
Profit attributable to holders of perpetual capital instruments	—	8,192	8,192
Distribution to holders of perpetual capital instruments	—	(8,192)	(8,192)
At December 31, 2018 and January 1, 2019	97,379	—	97,379
Profit attributable to holders of perpetual capital instruments	—	4,125	4,125
Distribution to holders of perpetual capital instruments	—	(4,125)	(4,125)
Balance as at June 30, 2019	<u>97,379</u>	<u>—</u>	<u>97,379</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**46. RESERVES****(a) Group**

The amount of the Group's reserves and the movements therein are presented in the consolidated statements of changes in equity of the Historical Financial Information.

(i) Statutory reserve

In accordance with the Company Law of the People's Republic of China, the subsidiaries in the PRC are required to allocate 10% of the statutory after tax profits to the statutory reserve until the cumulative total of the reserve reaches 50% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The statutory reserve is not available for dividend distribution to shareholders of the PRC subsidiaries.

(ii) Merger reserve

The merger reserve of the Group represents the reserve arose pursuant to the reorganization of subsidiaries.

(iii) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

46. RESERVES (continued)

(b) The Company

	Share premium USD'000	Share option reserve USD'000	Exchange fluctuation reserve USD'000	Retained profits/ (accumulated losses) USD'000	Total USD'000
As at January 1, 2016	246,985	347	42	21,145	268,519
Loss for the year	—	—	—	(25,887)	(25,887)
Other comprehensive income for the year:					
Share of other comprehensive income of joint ventures	—	—	(8,696)	—	(8,696)
Total comprehensive income for the year	—	—	(8,696)	(25,887)	(34,583)
Issue of shares	252,789	—	—	—	252,789
Equity-settled share option arrangements	—	75	—	—	75
As at December 31, 2016	499,774	422	(8,654)	(4,742)	486,800
As at January 1, 2017	499,774	422	(8,654)	(4,742)	486,800
Loss for the year	—	—	—	(92,605)	(92,605)
Other comprehensive income for the year:					
Share of other comprehensive income of joint ventures	—	—	9,148	—	9,148
Total comprehensive income for the year	—	—	9,148	(92,605)	(83,457)
Issue of shares	472,961	—	—	—	472,961
Equity-settled share option arrangements	—	11,923	—	—	11,923
Profit attributable to holders of perpetual capital securities	—	—	—	(4,125)	(4,125)
As at December 31, 2017	972,735	12,345	494	(101,472)	884,102

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

46. RESERVES (continued)

(b) The Company (continued)

	Share premium	Share option reserve	Exchange fluctuation reserve	Accumulated losses	Investment reserve (non-recycling)	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
As at January 1, 2018	972,735	12,345	494	(101,472)	—	884,102
Loss for the year	—	—	—	(43,378)	—	(43,378)
Other comprehensive income for the year:						
Change in fair value of financial assets at fair value through other comprehensive income	—	—	(8,798)	—	6,607	6,607
Share of other comprehensive income of joint ventures	—	—	(8,798)	—	—	(8,798)
Total comprehensive income for the year	—	—	(8,798)	(43,378)	6,607	(45,569)
Issue of shares	370,959	(10,161)	—	—	—	360,798
Transferred from financial liabilities	26,704	—	—	—	—	26,704
Profit attributable to holders of perpetual capital securities	—	—	—	(8,192)	—	(8,192)
Equity-settled share option arrangement	—	23,157	—	—	—	23,157
As at December 31, 2018	1,370,398	25,341	(8,304)	(153,042)	6,607	1,241,000
As at January 1, 2019	1,370,398	25,341	(8,304)	(153,042)	6,607	1,241,000
Loss for the period	—	—	—	(73,915)	—	(73,915)
Other comprehensive income for the period:						
Change in fair value of financial assets at fair value through other comprehensive income	—	—	—	—	1,321	1,321
Share of other comprehensive income of joint ventures	—	—	6,319	—	—	6,319
Total comprehensive income for the period	—	—	6,319	(73,915)	1,321	(66,275)
Profit attributable to holders of perpetual capital securities	—	—	—	(4,125)	—	(4,125)
Equity-settled share option arrangement	—	9,885	—	—	—	9,885
As at June 30, 2019	1,370,398	35,226	(1,985)	(231,082)	7,928	1,180,485

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial instruments comprise bank borrowings, trade and other payables, other borrowings, cash and bank balances, trade receivables, financial assets included in prepayments, other receivables and other assets, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, available-for-sale investments, and financial assets included in other non-current assets. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables, cash and short-term deposits, which arose directly from its operations. The main risks faced by the Group are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The directors reviews and agrees policies for managing each of the risks which are summarized below:

Interest rate risk

The Group's exposure to the risk of changes in interest rates relates primarily to its interest-bearing bank loans and other borrowings. The Group does not use derivative financial instruments to manage its interest rate risk. The interest rates and terms of repayments of the borrowings are disclosed in note 27.

The following table demonstrates the sensitivity to reasonably possible changes in interest rate, with all other variables held constant, of the Group's profit before tax (mainly the impact on floating rate borrowings). The Group's equity is not affected, other than the consequential effect on the accumulated losses of the changes in profit before tax as disclosed below.

	<u>Increase/(decrease) in Basis point</u>	<u>(Decrease)/increase in profit before tax</u>
	USD'000	USD'000
Year ended December 31, 2016	100/(100)	(4,421)/4,421
Year ended December 31, 2017	100/(100)	(5,352)/5,352
Year ended December 31, 2018	100/(100)	(4,548)/4,548
Six months ended June 30, 2019	100/(100)	(5,771)/5,771

Foreign currency risk

During the Relevant Periods, the Group had monetary assets and liabilities, which were denominated in foreign currencies, and were exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities, which are denominated in a currency that is not the functional currency of the relevant entities.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Foreign currency risk (continued)**

The following table details the Group's sensitivity to a 1% increase and decrease in the relevant foreign currencies against the functional currency. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each of the Relevant Periods for a 1% change in foreign currency rates.

	Year ended 2016
	USD'000
Increase/(decrease) in profit before tax:	
if USD weakens against RMB	(3,418)
if USD strengthens against RMB	3,418
if USD weakens against JPY	126
if USD strengthens against JPY	(126)
	Year ended 2017
	USD'000
Increase/(decrease) in profit before tax:	
if USD weakens against RMB	965
if USD strengthens against RMB	(965)
if USD weakens against JPY	1,544
if USD strengthens against JPY	(1,544)
	Year ended 2018
	USD'000
Increase/(decrease) in profit before tax:	
if USD weakens against RMB	997
if USD strengthens against RMB	(997)
if USD weakens against JPY	(2,008)
if USD strengthens against JPY	2,008
	Six months ended
	June 2019
	USD'000
Increase/(decrease) in profit before tax:	
if USD weakens against RMB	(1,771)
if USD strengthens against RMB	1,771
if USD weakens against JPY	(2,629)
if USD strengthens against JPY	2,629
if USD weakens against SGD	(2,426)
if USD strengthens against SGD	2,426
if USD weakens against AUD	6,461
if USD strengthens against AUD	(6,461)

Credit risk

IAS 39 (replaced by IFRS 9 for periods beginning on January 1, 2018)

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued) (continued)**47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Credit risk (continued)**

IAS 39 (replaced by IFRS 9 for periods beginning on January 1, 2018) (continued)

Credit risk arises from cash and bank balances, trade receivables and other receivables, the balances of which represent the maximum credit risk exposure of the Group.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 24 and 25.

IFRS 9 (for the periods beginning on or after January 1, 2018)

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligation. The Group has no concentration of credit risk from third party debtors. The carrying amounts of restricted cash, cash and bank balances, financial assets included in prepayments, other receivables and other assets in the consolidated statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

All cash and bank balances were deposited in high-credit-quality financial institutions without significant credit risk.

The Group has established a policy to perform an assessment at December 31, 2018, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the groups its other receivables into Stage 1 and Stage 2, as described below:

Stage 1-When other receivables are first recognized, the Group records an allowance based on 12 months' expected credit loss (ECL)

Stage 2-When other receivables have shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECLs

Management also regularly reviews the recoverability of these receivables and follow up the dispute or amount overdue, if any. The management is of the opinion that the risk of default by counterparties is low.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compare the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The expected loss allowance provision for these balances was not material during the Relevant Periods.

The Group has applied IFRS 9, effective for the periods beginning on or after January 1, 2018. As at December 31, 2018 and June 30, 2019, the credit rating of other receivables were performing.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued) (continued)**47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Credit risk (continued)**

IAS 39 (replaced by IFRS 9 for periods beginning on January 1, 2018) (continued)

The Group assessed that the expected credit losses for these receivables are not material under the 12 months expected losses methods. Thus no loss allowance provision was recognized during the year ended December 31, 2018 and the six months ended June 30, 2019.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are disclosed in note 24 and note 25.

Liquidity risk

The Group's policy is to maintain sufficient cash and bank balances or to have available funding through the use of bank loans and other borrowings to meet its commitments over the foreseeable future in accordance with its strategic plan.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Group

	Less than 1 year	1 to 5 year	Over 5 years	Total
	USD'000	USD'000	USD'000	USD'000
December 31, 2016				
Interest-bearing bank and other borrowings	117,991	578,298	203,992	900,281
Redeemable convertible preference shares	13,574	306,438	—	320,012
Trade and other payables	21,970	—	—	21,970
Lease liabilities	1,415	3,123	—	4,538
Financial liabilities at fair value through profit or loss	—	—	12,592	12,592
Other non-current liabilities	—	—	10,662	10,662
	<u>154,950</u>	<u>887,859</u>	<u>227,246</u>	<u>1,270,055</u>
December 31, 2017				
Interest-bearing bank and other borrowings	106,089	639,879	181,717	927,685
Redeemable convertible preference shares	13,648	309,121	—	322,769
Trade and other payables	66,939	—	—	66,939
Lease liabilities	2,610	5,424	796	8,830
Financial liabilities at fair value through profit or loss	—	—	13,671	13,671
Other non-current liabilities	—	—	22,196	22,196
	<u>189,286</u>	<u>954,424</u>	<u>218,380</u>	<u>1,362,090</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Liquidity risk (continued)****Group (continued)**

	Less than 1 year	1 to 5 year	Over 5 years	Total
	USD'000	USD'000	USD'000	USD'000
December 31, 2018				
Interest-bearing bank and other borrowings	505,154	931,709	248,482	1,685,345
Redeemable convertible preference shares	283,925	—	—	283,925
Trade and other payables	92,102	—	—	92,102
Lease liabilities	3,774	4,755	2,807	11,336
Other non-current liabilities	—	—	35,766	35,766
	<u>884,955</u>	<u>936,464</u>	<u>287,055</u>	<u>2,108,474</u>

	Less than 1 year	1 to 5 year	Over 5 years	Total
	USD'000	USD'000	USD'000	USD'000
June 30, 2019				
Interest-bearing bank and other borrowings	756,789	2,231,129	185,688	3,173,606
Redeemable convertible preference shares	316,010	—	—	316,010
Trade and other payables	106,311	—	—	106,311
Lease liabilities	5,806	15,108	71,187	92,101
Other non-current liabilities	—	—	40,925	40,925
	<u>1,184,916</u>	<u>2,246,237</u>	<u>297,800</u>	<u>3,728,953</u>

Company

	Less than 1 year	1 to 5 year	Over 5 years	Total
	USD'000	USD'000	USD'000	USD'000
December 31, 2016				
Interest-bearing bank and other borrowings	64,184	315,239	—	379,423
Redeemable convertible preference shares	13,574	306,438	—	320,012
Trade and other payables	48,109	—	—	48,109
	<u>125,867</u>	<u>621,677</u>	<u>—</u>	<u>747,544</u>

	Less than 1 year	1 to 5 year	Over 5 years	Total
	USD'000	USD'000	USD'000	USD'000
December 31, 2017				
Interest-bearing bank and other borrowings	66,123	317,906	—	384,029
Redeemable convertible preference shares	13,648	309,121	—	322,769
Trade and other payables	41,484	—	—	41,484
	<u>121,255</u>	<u>627,027</u>	<u>—</u>	<u>748,282</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Liquidity risk (continued)****Company (continued)**

	Less than 1 year USD'000	1 to 5 year USD'000	Over 5 years USD'000	Total USD'000
December 31, 2018				
Interest-bearing bank and other borrowings	66,346	317,008	—	383,354
Redeemable convertible preference shares	283,925	—	—	283,925
Trade and other payables	55,987	—	—	55,987
Other non-current liabilities	—	—	516,523	516,523
	<u>406,258</u>	<u>317,008</u>	<u>516,523</u>	<u>1,239,789</u>
June 30, 2019				
Interest-bearing bank and other borrowings	549,388	685,482	—	1,234,870
Redeemable convertible preference shares	316,010	—	—	316,010
Trade and other payables	78,117	—	—	78,117
Other non-current liabilities	—	532,402	—	532,402
	<u>943,515</u>	<u>1,217,884</u>	<u>—</u>	<u>2,161,399</u>

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through profit or loss (note 17), financial assets at fair value through comprehensive income (note 18) and available-for-sale investments (note 19) as at December 31, 2017, 2018 and June 30, 2019. The Group's listed investments are listed on Stock Exchange of Hong Kong, Singapore and Australian Stock Exchange and are valued at quoted market prices at the end of each of the Relevant Periods.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of each of the Relevant Periods, and their respective highest and lowest points during the year were as follows:

	December 31 2017	High/Low 2017	December 31 2018	High/Low 2018	June 30, 2019	High/Low 2019
Australia—AORD						
Index	6,167	6,193/5,635	5,709	6,481/5,478	6,699	6,768/5,620
Singapore—STI						
Index	3,403	3,469/2,870	3,069	3,642/2,956	3,322	3,415/3,002
Hong Kong—						
Hang Seng Index ..	N/A	N/A	25,846	33,484/24,541	28,543	30,222/24,897

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Capital management (continued)**

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019.

The Group monitors capital using net gearing ratio, which is calculated by dividing net debt, defined as total bank loans and other borrowings less cash and bank balances, by total assets at the end of each year. The gearing ratios as at the end of the reporting periods were as follows:

	December 31, 2016	December 31, 2017	December 31, 2018	June 30, 2019
	USD'000	USD'000	USD'000	USD'000
Bank loans and other borrowings				
Current	75,862	91,706	436,194	630,135
Non-current	759,403	741,729	1,024,279	2,173,601
Bank loans and other borrowings—Total	835,265	833,435	1,460,473	2,803,736
Less: Cash and bank balances	(485,545)	(600,791)	(581,379)	(1,010,390)
Debt	349,720	232,644	879,094	1,793,346
Total assets	2,101,542	3,054,868	4,431,600	5,946,004
Gearing ratio	16.6%	7.6%	19.8%	30.2%

48. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follow:

December 31, 2016

	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
	USD'000	USD'000	USD'000	USD'000
Financial assets				
Financial assets at fair value through profit or loss	140,577	—	—	140,577
Available-for-sale investments	—	—	1,492	1,492
Trade receivables	—	9,271	—	9,271
Other non-current assets	—	11,404	—	11,404
Financial assets included in prepayments, other receivables and other assets	—	8,294	—	8,294
Pledged bank deposits	—	73,780	—	73,780
Cash and bank balances	—	411,765	—	411,765
	140,577	514,514	1,492	656,583

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

48. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

December 31, 2016 (continued)

	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Total
	USD'000	USD'000	USD'000
Financial liabilities			
Trade and other payables	—	21,970	21,970
Interest-bearing bank and other borrowings . .	—	835,265	835,265
Lease liabilities	—	4,249	4,249
Other non-current liabilities	—	10,662	10,662
Redeemable convertible preference shares . . .	—	246,156	246,156
Financial liabilities designated at fair value through profit or loss	12,592	—	12,592
	<u>12,592</u>	<u>1,118,302</u>	<u>1,130,894</u>

December 31, 2017

	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
	USD'000	USD'000	USD'000	USD'000
Financial assets				
Financial assets at fair value through profit or loss	362,073	—	—	362,073
Available-for-sale investments	—	—	189,816	189,816
Trade receivables	—	30,448	—	30,448
Other non-current assets	—	9,778	—	9,778
Financial assets included in prepayments, other receivables and other assets	—	29,405	—	29,405
Pledged bank deposits	—	73,803	—	73,803
Cash and bank balances	—	526,988	—	526,988
	<u>362,073</u>	<u>670,422</u>	<u>189,816</u>	<u>1,222,311</u>

	Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Total
	USD'000	USD'000	USD'000
Financial liabilities			
Trade and other payables	—	47,069	47,069
Interest-bearing bank and other borrowings . .	—	833,435	833,435
Lease liabilities	—	7,959	7,959
Other non-current liabilities	—	22,196	22,196
Redeemable convertible preference shares . . .	—	264,199	264,199
Financial liabilities designated at fair value through profit or loss	13,671	—	13,671
	<u>13,671</u>	<u>1,174,858</u>	<u>1,188,529</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

48. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

December 31, 2018

	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
	USD'000	USD'000	USD'000	USD'000
Financial assets				
Financial assets at fair value through profit or loss	335,771	—	—	335,771
Financial assets at fair value through other comprehensive income	—	—	484,239	484,239
Trade receivables	—	63,057	—	63,057
Other non-current assets	—	10,478	—	10,478
Financial assets included in prepayments, other receivables and other assets	—	200,401	—	200,401
Pledged bank deposits	—	44,711	—	44,711
Restricted bank balances	—	19,294	—	19,294
Non-pledged fixed time deposits with maturity period over three months	—	15,318	—	15,318
Cash and bank balances	—	502,056	—	502,056
	<u>335,771</u>	<u>855,315</u>	<u>484,239</u>	<u>1,675,325</u>
		Financial assets at fair value through profit or loss	Financial liabilities at amortized cost	Total
		USD'000	USD'000	USD'000
Financial liabilities				
Trade and other payables		—	92,102	92,102
Interest-bearing bank and other borrowings . .		—	1,460,473	1,460,473
Lease liabilities		—	9,685	9,685
Other non-current liabilities		—	35,766	35,766
Redeemable convertible preference shares . . .		—	296,778	296,778
		<u>—</u>	<u>1,894,804</u>	<u>1,894,804</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**48. FINANCIAL INSTRUMENTS BY CATEGORY (continued)****June 30, 2019**

	Financial assets at fair value through profit or loss	Amortized cost	Financial assets at fair value through other comprehensive income	Total
	USD'000	USD'000	USD'000	USD'000
Financial assets				
Financial assets at fair value through profit or loss	504,903	—	—	504,903
Financial assets at fair value through other comprehensive income	—	—	468,958	468,958
Trade receivables	—	51,870	—	51,870
Other non-current assets	—	13,465	—	13,465
Financial assets included in prepayments, other receivables and other assets	—	180,402	—	180,402
Pledged bank deposits	—	44,711	—	44,711
Restricted bank balances	—	22,060	—	22,060
Cash and bank balances	—	929,232	—	929,232
Non-pledged fixed time deposits with maturity period within three months	—	14,387	—	14,387
	<u>504,903</u>	<u>1,256,127</u>	<u>468,958</u>	<u>2,229,988</u>
Financial liabilities				
Trade and other payables	—	—	106,311	106,311
Interest-bearing bank and other borrowings	—	—	2,803,736	2,803,736
Lease liabilities	—	—	24,408	24,408
Other non-current liabilities	—	—	40,925	40,925
Redeemable convertible preference shares	—	—	316,010	316,010
	—	—	<u>3,291,390</u>	<u>3,291,390</u>

49. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, amounts due from related parties, trade receivables, financial assets included in prepayments, other receivables and other assets, current interest-bearing bank and other borrowings, amounts due to related parties, trade payables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The management is responsible for determining the policies and procedures for the fair value management of financial instruments. At each reporting date, the management analyzes the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors for annual financial reporting.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**49. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)**

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

The fair values of the non-current interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted available-for-sale equity investments have been estimated based on the Group's share of the net asset fair value of the investment fund. The valuation requires the directors to make estimates about the expected future cash flows including expected future dividends and proceeds on subsequent disposal of the shares. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting periods.

The summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of each of the Reporting Periods is as follows.

	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range</u>	<u>Sensitivity of fair value to the input</u>
Unlisted financial assets at fair value through profit or loss	Net asset value	Net asset value	2019: USD503,855 to USD599,831,130 2018: USD143,841 to USD63,969,088 2017: USD147,000 to USD62,878,000 2016: USD582,000 to USD41,583,000	1% increase (decrease) in net asset value would result in increase (decrease) in fair value by 1%
Unquoted equity interests, at fair value included in available-for-sale	Net asset value	Net asset value	2019: nil 2018: nil 2017: nil 2016: USD1,131,000	1% increase (decrease) in net asset value would result in increase (decrease) in fair value by 1%
Unlisted financial liabilities at fair value through profit or loss	Net asset value	Net asset value	2019: nil 2018: USD8,374,000 to USD8,544,000 2017: USD13,671,000 2016: USD12,592,000	1% increase (decrease) in net asset value would result in increase (decrease) in fair value by 1%

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**49. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)**

Financial assets at fair value through profit or loss within Level 3 stand for unquoted equity interests. The unquoted equity interests are stated at their fair value at each reporting date, determined by share of the net asset value of the investment funds and associates, which based on their underlying investments properties and book value of working capital which is similar to fair value in the view of the directors.

Below is a summary of the valuation techniques used and the key inputs to the valuation of underlying investment properties of financial assets at fair value through profit or loss:

December 31, 2016

Warehouse properties	Discounted cash flow method (term and reversionary method)	(1) Capitalization rate (2) Market unit rent	China Properties: (1) 6.60-7.10% (2) RMB 24.00-RMB 55.20 per square meter per month Japan Properties: (1) 4.20-5.20% (2) JPY 855-JPY 1,409 per square meter per month

December 31, 2017

Warehouse properties	Discounted cash flow method (term and reversionary method)	(1) Capitalization rate (2) Market unit rent	China Properties: (1) 5.45-7.10% (2) RMB 23.10-RMB 57.00 per square meter per month Japan Properties: (1) 4.10-5.00% (2) JPY 855-JPY 1,455 per square meter per month

December 31, 2018

Warehouse properties	Discounted cash flow method (term and reversionary method)	(1) Capitalization rate (2) Market unit rent	China Properties: (1) 6.15-7.10% (2) RMB 23.10-RMB 43.20 per square meter per month Japan Properties: (1) 4.10-5.00% (2) JPY 973-JPY 1,623 per square meter per month

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**49. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)**

June 30, 2019

Warehouse properties	Discounted cash flow method (term and reversionary method)	(1) Capitalization rate (2) Market unit rent	China Properties: (1) 5.75%-6.50% (2) RMB 24.00- RMB 58.80 per square meter per month Japan Property: (1) 4.10%-4.20% (2) JPY 1,150-JPY 2,269 per square meter per month Australia Property: (1) 5.75%-9.00% (2) AUS 4.38- AUS 29 per square meter per month

Underlying investment properties were valued at level 3 listed above; the valuation techniques are Discounted Cash Flow Method (term and reversion approach), and key inputs are:

- (1) Term yield: the higher the term yield, the lower the fair value
- (2) Reversionary yield: the higher the reversionary yield, the lower the fair value
- (3) Market unit rent: the higher the market unit rent, the higher the fair value
- (4) Capitalization rate: the higher the capitalization rate, the lower the fair value

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**49. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)**

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Group*Assets measured at fair value*

	Quoted prices In active market (level 1)	Significant unobservable inputs (level 3)	Total
	USD'000	USD'000	USD'000
As at December 31, 2016			
Financial assets at fair value through profit or loss	—	140,577	140,577
Available-for-sale investments	—	1,131	1,131
	<u>—</u>	<u>141,708</u>	<u>141,708</u>
As at December 31, 2017			
Financial assets at fair value through profit or loss	69,091	292,982	362,073
Available-for-sale investments	181,489	—	181,489
	<u>250,580</u>	<u>292,982</u>	<u>543,562</u>
As at December 31, 2018			
Financial assets at fair value through profit or loss	—	335,771	335,771
Financial assets at fair value through other comprehensive income	484,239	—	484,239
	<u>484,239</u>	<u>335,771</u>	<u>820,010</u>
As at June 30, 2019			
Financial assets at fair value through profit or loss	—	504,903	504,903
Financial assets at fair value through other comprehensive income	468,958	—	468,958
	<u>468,958</u>	<u>504,903</u>	<u>973,861</u>

The movement in fair value measurements within Level 3 during the year are as follows:

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Financial assets at fair value through profit or loss— unlisted				
At January 1, ...	—	140,577	292,982	335,771
Total gain recognized in profit or loss included in other income	37,417	24,134	48,055	22,818
Distribution	—	—	—	(1,218)
Acquisition of subsidiaries	53,255	—	—	—
Purchases	51,248	117,986	160,141	143,252
Disposal	—	—	(164,072)	—
Exchange realignment	(1,343)	10,285	(1,335)	4,280
	<u>140,577</u>	<u>292,982</u>	<u>335,771</u>	<u>504,903</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**49. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)****Group (continued)***Assets measured at fair value (continued)*

	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Available-for-sale investments				
At January 1, ...	—	1,131	—	—
Total gain recognized in other comprehensive income included in available-for-sale investments changes in fair value	114	37	—	—
Acquisition of subsidiaries	1,017	—	—	—
Disposal	—	(1,168)	—	—
	<u>1,131</u>	<u>—</u>	<u>—</u>	<u>—</u>
	As at December 31			As at June 30
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
Financial assets at fair value through other comprehensive income				
At January 1, ...	—	—	—	—
Purchases	—	—	132	—
Transfer from Available-for-sale investment at cost	—	—	8,327	—
Disposal	—	—	(8,459)	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Liabilities measured at fair value

	Significant unobservable inputs (level 3)
	USD'000
As at December 31, 2016	
Financial liabilities at fair value	<u>12,592</u>
As at December 31, 2017	
Financial liabilities at fair value	<u>13,671</u>
As at December 31, 2018	
Financial liabilities at fair value	<u>—</u>
As at June 30, 2019	
Financial liabilities at fair value	<u>—</u>

The movement in fair value measurements within Level 3 during the year are as follows:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	USD'000	USD'000	USD'000	USD'000
At January 1, ...	11,056	12,592	13,671	—
Total gain recognized in profit or loss	1,536	1,079	3,118	—
Transfer to other payables	—	—	(16,789)	—
	<u>12,592</u>	<u>13,671</u>	<u>—</u>	<u>—</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)**49. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)****Group (continued)***Liabilities measured at fair value (continued)*

During the Relevant Periods, there were no transfers of fair values measurements into or out of Level 3 for financial liabilities.

Company*Assets measured at fair value*

	Quoted prices In active market (level 1)	Significant unobservable inputs (level 3)	Total
	USD'000	USD'000	USD'000
As at December 31, 2017			
Available-for-sale investments	543	—	543
As at December 31, 2018			
Financial assets at fair value through other comprehensive income	32,549	—	32,549
As at June 30, 2019			
Financial assets at fair value through other comprehensive income	33,122	—	33,122

50. EVENTS AFTER THE RELEVANT PERIODS

In July 2019, the Company issued a further tranche of USD175 million, under its existing USD250 million of three-year fixed rate notes bearing 7.875% per annum which due April 2022 (“7.875% Notes”), pursuant to its US\$2.0 billion Multicurrency Debt Issuance Programme. The aggregate total amount of 7.875% Notes issued is USD425 million.

In July 2019, the Group entered a strategic alliance with Future Market Networks Ltd. to develop logistics infrastructure assets in India with an investment of approximately US\$42 million, which will be made to develop industrial and warehousing parks in India.

In August 2019, the Group, entered into an umbrella agreement with managed vehicles of a potential capital partner in connection with the establishment of a new joint venture in Australia (the “New Australia Fund”). Pursuant to the umbrella agreement, the Group will hold 20% interest in the New Australia Fund and plan to transfer 11 investment properties in the balance sheet into the New Australia Fund.

In August 2019, the Group acquired a logistics property in Kawajima, Japan for a purchase price of JPY8.74 billion (approximately US\$80.5 million) from one of the development funds managed by the Group.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group, or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2019.

IV. SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD. AND ESR SINGAPORE PTE. LTD. BUSINESS

1. FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD.

Pre-acquisition financial information of Redwood Asian Investments, Ltd. (“the company”) and its subsidiaries (the “Redwood Asian Group”) for the period from January 1, 2016 to January 20, 2016 (the “Pre-acquisition Period”) has been prepared in accordance with the basis of preparation and accounting policies as set out in Section IV, Note 2.1. This information is referred hereafter as “Financial Information of the Redwood Asian Investments, Ltd.”

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Period from January 1, 2016 to January 20, 2016 USD'000
Fair value gains on financial assets at fair value through profit and loss		184
Administrative expenses		(442)
Loss before tax	2.2	(258)
Income tax expense	2.3	—
Loss for the period		(258)
Attributable to:		
Owners of the parent		(258)
Non-controlling interests		—
Loss for the period		(258)
OTHER COMPREHENSIVE INCOME		
Changes in fair value of available-for-sale investments		(13)
Exchange differences on translation of foreign operations		1,061
Other comprehensive income for the period		1,048
Total comprehensive income for the period		790
Attributable to:		
Owners of the parent		13
Non-controlling interests		777
		790

IV. SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD. AND ESR SINGAPORE PTE. LTD. BUSINESS (continued)

1. FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD. (continued)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>Notes</u>	<u>As at January 20, 2016 USD'000</u>
NON-CURRENT ASSETS		
Available-for-sale investments	2.4	1,017
Financial assets at fair value through profit or loss	2.5	53,255
Total non-current assets		<u>54,272</u>
CURRENT ASSETS		
Prepayments, deposits and other receivables	2.6	5,493
Cash and bank balances	2.7	42,589
Total current assets		<u>48,082</u>
CURRENT LIABILITIES		
Trade payables, accruals and other payables	2.8	25,048
Total current liabilities		<u>25,048</u>
NET CURRENT ASSETS		<u>23,034</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>77,306</u>
NON-CURRENT LIABILITIES		
Bank loans and other borrowings	2.9	917
Financial liabilities at fair value through profit or loss	2.10	42,819
Total non-current liabilities		<u>43,736</u>
Net assets		<u>33,570</u>
EQUITY		
Equity attributable to owner of the parent		
Issued capital	2.14	1
Other reserves	2.15	6,907
		<u>6,908</u>
Non-controlling interests		26,662
Total equity		<u>33,570</u>

Period from January 1, 2016 to January 20, 2016

[illegible]

IV. SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD. AND ESR SINGAPORE PTE. LTD. BUSINESS (continued)

1. FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD. (continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Period from January 1, 2016 to January 20, 2016
	<u>USD'000</u>
Cash flows from operating activities	
Loss before tax	(258)
Adjustments for:	
Fair value gains on financial assets and liabilities at fair value through profit or loss . . .	<u>(184)</u>
	(442)
Increase in prepayments, deposits and other receivables	(123)
Increase in accruals and other payables	<u>591</u>
Cash flows generated from operations and net increase in cash and cash equivalents	26
Cash and cash equivalents at beginning of period	41,382
Effect of foreign exchange rate changes, net	<u>1,181</u>
Cash and cash equivalents at end of period	<u>42,589</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	
Cash and cash equivalents	<u>42,589</u>
Cash and cash equivalents as stated in the consolidated statement of financial position and consolidated statement of cash flows	<u>42,589</u>

IV. SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD. AND ESR SINGAPORE PTE. LTD. BUSINESS (continued)

2. NOTES TO THE FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD.

2.1 PRINCIPAL ACCOUNTING POLICIES

The Financial Information of the Redwood Asian Investments, Ltd. has been prepared in accordance with the accounting policies set out in Section II, note 2.4.

2.2 LOSS BEFORE TAX

The Redwood Asian Group loss before tax is arrived after changing:

	Period from January 1, 2016 to January 20, 2016
	USD'000
Professional service fee	3
Exchange losses	<u>428</u>

2.3 INCOME TAX EXPENSE

The Company is incorporated under the laws of the Cayman Islands is exempted from the payment of Cayman Islands income tax.

2.4 AVAILABLE-FOR-SALE INVESTMENTS

	As at January 20, 2016
	USD'000
Unquoted equity interests, at fair value	<u>1,017</u>

Available-for-sale assets, at fair value of the Redwood Asian Group relates the Redwood Asian Group's unquoted equity investments in a privately-held real estate entity in China and one preference share in Japan.

2.5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at January 20, 2016
	USD'000
Unquoted equity interests	<u>53,255</u>

The fair value of these investments is estimated based on the Redwood Asian Group's share of the net asset value of the investment funds.

The investments were designated at fair value through profit or loss upon the initial recognition on the basis that they are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Redwood Asian Group.

IV. SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD. AND ESR SINGAPORE PTE. LTD. BUSINESS (continued)

2. NOTES TO THE FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD. (continued)

2.6 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<u>As at January 20, 2016</u>
	<u>USD'000</u>
Due from other related parties	5,023
Prepayments to suppliers	26
Other receivables	444
	<u>5,493</u>

Amount due from other related parties is interest-free, unsecured and repayable on demand. There is no allowance for doubtful debts arising from these outstanding balances. None of one above assets is either past due or impaired. The financial assets included in the above balance relate to receivables for which there was no recent history of default.

2.7 CASH AND BANK BALANCES

	<u>As at January 20, 2016</u>
	<u>USD'000</u>
Cash and bank balances	42,589

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

2.8 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	<u>As at January 20, 2016</u>
	<u>USD'000</u>
Accruals	208
Due to other related parties	24,584
Others	256
	<u>25,048</u>

Amount due to other related parties is interest-free, unsecured and repayable on demand.

2.9 BANK LOANS AND OTHER BORROWINGS

	<u>As at January 20, 2016</u>
	<u>USD'000</u>
Preference shares issued by a subsidiary	917

At January 20, 2016, a third party Financial Investor B is a holder of 107,101,575 preference shares issued by a certain subsidiary of the Redwood Asian Group.

IV. SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD. AND ESR SINGAPORE PTE. LTD. BUSINESS (continued)

2. NOTES TO THE FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD. (continued)

2.10 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>As at January 20, 2016</u>
	<u>USD'000</u>
Loan from a third party (note a)	11,388
Preference shares issued by a subsidiary, Redwood Fujiidera Investor Ltd. (note b)	<u>31,431</u>
	<u>42,819</u>

Notes:

(a) Pursuant to the loan agreement dated August 28, 2013 entered into by certain subsidiaries of the Redwood Asian Group and a third party Financial Investor B ("Loan Agreement"), and the security over shares agreement dated August 28, 2013 entered into by a subsidiary of the Redwood Asian Group and Financial Investor B ("Security Agreement"), the Redwood Asian Group utilized the proceeds from the loan from Financial Investor B to subscribe interest in Redwood Japan Logistics Fund LP ("RJLF").

Under the Loan Agreement, all distribution proceeds from RJLF relating to the loan that have been invested into RJLF will be passed on to Financial Investor B. As such, the loan from Financial Investor B was designated at fair value through profit or loss upon the initial recognition on the basis that it is structured, managed and has its performance evaluated on a fair value basis, in accordance with the Loan Agreement and the risk management and investment strategies of the Redwood Asian Group.

The fair value of the loan from Financial Investor B is estimated based on the Redwood Asian Group's share of the net asset value of RJLF as at January 20, 2016.

(b) Pursuant to the subscription agreement dated December 18, 2014 entered into by certain subsidiaries of the Company, including Redwood Asian Investment 1 Ltd. ("RAIL 1"), Redwood Fujiidera Investor Ltd., and a related party ESR Singapore (the "Manager") and a third party Financial Investor C, ("Subscription Agreement"), RAIL 1 and Financial Investor C have agreed to provide funding to Redwood Fujiidera Investor Ltd. for the purpose of subscribing to interest in Redwood Fujiidera Pte. Ltd.

At January 20, 2016, Financial Investor C was a holder of 3,994,902,381 preference shares issued by Redwood Fujiidera Investor Ltd., a Cayman Island incorporated subsidiary.

IV. SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD. AND ESR SINGAPORE PTE. LTD. BUSINESS (continued)

2. NOTES TO THE FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD. (continued)

2.11 SUBSIDIARIES

Details of the subsidiaries as at January 20, 2016 are as follows:

<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Effective ownership interest</u>
			<u>%</u>
Redwood Japan Logistics Fund Investments, Ltd.	Investment holding	Cayman Islands	100
Redwood Japan Logistics Fund Investments 1, Ltd.	Investment holding	Cayman Islands	100
RCLF LP Ltd.	Limited partner of a real estate fund	Cayman Islands	100
Redwood Group China I RGC 1	Investment holding	Cayman Islands	100
Baraki 2 Investor Pte. Ltd.	Investment holding	Singapore	100
Redwood Asian Investments 1 Ltd.	Investment holding	Cayman Islands	100
Redwood Fujiidera Investor Ltd.	Investment holding	Cayman Islands	100
Redwood Asian Investments 2 Ltd.	Investment holding	Cayman Islands	100
Redwood Nanko Pte. Ltd.	Investment holding	Singapore	100
Redwood Nanko SPE I Pte. Ltd.	Investment holding	Singapore	100
NKA Japan Investment Pte. Ltd.	Investment holding	Singapore	100
RW Nankonaka Godo Kaisha	Investment holding	Japan	100
Redwood Sustainable Investments, Ltd.	Investment holding	Cayman Islands	100
Redwood Australia Fund I Ltd.	Investment holding	Cayman Islands	100
Redwood Australia Fund II Ltd.	Investment holding	Cayman Islands	100
Redwood Australia Fund III Ltd.	Investment holding	Cayman Islands	100
Redwood Australia Fund IV Ltd.	Investment holding	Cayman Islands	100
Redwood Australia Fund V Ltd.	Investment holding	Cayman Islands	100
Redwood Sustainable Investments 1, Ltd	Investment holding	Cayman Islands	100
RW Renewables Sustainable Solar GK	Investment holding	Japan	100
Redwood Investor GP Ltd	Investment holding	Cayman Islands	100
RW Renewables ISH	Investment holding	Japan	100
RW Renewables 2 ISH	Investment holding	Japan	100
RW Renewables 3 ISH	Investment holding	Japan	100
RW Renewables 4 ISH	Investment holding	Japan	100
RW Renewables 5 ISH	Investment holding	Japan	100
RW Renewables 6 ISH	Investment holding	Japan	100
RW Renewables GK	Investment holding	Japan	100
RW Renewables 4 GK	Investment holding	Japan	100
RW Renewables 5 GK	Investment holding	Japan	100
RW Renewables 6 GK	Investment holding	Japan	100

2.12 COMMITMENTS

Commitment to contributing capital to real estate investment funds are as follows:

	<u>As at January 20, 2016</u>
	<u>USD'000</u>
Undrawn capital calls	<u>49,027</u>

IV. SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD. AND ESR SINGAPORE PTE. LTD. BUSINESS (continued)

2. NOTES TO THE FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD. (continued)

2.13 RELATED PARTY TRANSACTIONS

For the purposes of these consolidated financial statements, parties are considered to be related to the Redwood Asian Group if the Redwood Asian Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or Vice versa, or where the Redwood Asian Group and the party are subject to common control or joint control. Related parties may be individuals or other entities.

Key management personnel

The directors are employees of a related corporation and no consideration is paid to that related corporation for services rendered by the directors.

2.14 SHARE CAPITAL

	As at January 20, 2016	
	Number of Shares	Share capital
		USD
Ordinary shares at January 1, 2016 and January 20, 2016	<u>1</u>	<u>1</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Capital management

The primary objective of the Redwood Asian Group's capital management is to ensure that it maintains sound capital position in order to support its business and maximize shareholders' value. The Redwood Asian Group is also committed to maintain efficient mix of debt and equity in order to achieve optimal cost of capital, while taking into account the adequacy of access to cash flows.

The Redwood Asian Group manages its capital structure and makes alignment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Redwood Asian Group may align the dividend payment to shareholder, return capital to shareholders or issue new shares.

There was no change to the Redwood Asian Group's approach to capital management.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

2.15 RESERVES

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

IV. SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD. AND ESR SINGAPORE PTE. LTD. BUSINESS (continued)

2. NOTES TO THE FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD. (continued)

2.15 RESERVES (continued)

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognized or impaired.

2.16 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

The Redwood Asian Group considers its equity investments in 8 investment funds to be interests in unconsolidated structured entities. The investment funds are designed so that the management rights are not the dominant factor in deciding who controls them.

The table below describes the type of structured entities that the Redwood Asian Group does not consolidate but in which it holds an interest.

<u>Type of structured entity</u>	<u>Nature and purpose</u>	<u>Interest held by the Company</u>	<u>Total net assets under management as at January 20, 2016</u> <u>USD'million</u>
Investment funds	To generate investment returns from the funds managed by a related company	Investment in equity and preference share issued by the investment funds	816.2

The table below sets out an analysis of the carrying amount of interests held by the Redwood Asian Group in the 8 unconsolidated investment funds. The maximum exposure to loss is the carrying amount of the investments.

	<u>As at January 20, 2016</u> <u>USD'000</u>
Carrying amount	
Investment funds	<u>54,273</u>

3. FINANCIAL INFORMATION OF ESR SINGAPORE PTE. LTD.

Pre-acquisition financial information of ESR Singapore Pte. Ltd.(the “Company”) and its subsidiaries (the “ESR Singapore Group”) for the period from January 1, 2016 to January 20, 2016 (the “Pre-acquisition Period”) has been prepared in accordance with the basis of preparation and accounting policies as set out in Section IV, Note 4.1. This information is referred hereafter as “Financial Information of the ESR Singapore Pte. Ltd.”

IV. SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD. AND ESR SINGAPORE PTE. LTD. BUSINESS (continued)

3. FINANCIAL INFORMATION OF ESR SINGAPORE PTE. LTD. (continued)

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<u>Notes</u>	<u>Period from January 1, 2016 to January 20, 2016</u>
		<u>USD'000</u>
REVENUE		627
Gross Profit		627
Other income and gains		34
Administrative expenses		(1,180)
Loss before tax	4.2	(519)
Income tax expense	4.3	(1)
Loss for the period		(520)
Other comprehensive income		
Exchange differences on translation of foreign operations		144
Total comprehensive loss for the period		(376)

IV. SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD. AND ESR SINGAPORE PTE. LTD. BUSINESS (continued)

3. FINANCIAL INFORMATION OF ESR SINGAPORE PTE. LTD. (continued)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>Note</u>	<u>As at January 20, 2016 USD'000</u>
NON-CURRENT ASSETS		
Property, plant and equipment	4.4	451
Other non-current assets		585
Other intangible assets		1
Available-for-sale investments	4.5	179
Deferred tax assets	4.6	524
Total non-current assets		<u>1,740</u>
CURRENT ASSETS		
Trade receivables	4.7	1,095
Prepayments, deposits and other receivables	4.8	4,354
Cash and bank balances	4.9	3,165
Total current assets		<u>8,614</u>
CURRENT LIABILITIES		
Trade payables, accruals and other payables	4.10	25,489
Income tax payable		83
Total current liabilities		<u>25,572</u>
NET CURRENT LIABILITIES		<u>(16,958)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(15,218)</u>
NET LIABILITIES		<u>(15,218)</u>
Equity		
Share capital	4.14	10,301
Reserves	4.15	(25,519)
Total equity		<u>(15,218)</u>

IV. SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD. AND ESR SINGAPORE PTE. LTD. BUSINESS (continued)

3. FINANCIAL INFORMATION OF ESR SINGAPORE PTE. LTD. (continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Period ended from January 1, 2016 to January 20, 2016

	Issued capital USD'000	Capital reserve USD'000	Exchange fluctuation reserve USD'000	Accumulated losses USD'000	Total equity USD'000
As at January 1, 2016	1	35	6,546	6,895	32,780
Loss for the period	—	—	(258)	(258)	(258)
Other comprehensive income for the period	—	—	—	—	—
Exchange differences on translation of foreign operations	—	284	—	284	1,061
Total comprehensive income for the period	—	284	(258)	(13)	790
As at January 20, 2016	1	319	6,288	6,908	33,570

IV. SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD. AND ESR SINGAPORE PTE. LTD. BUSINESS (continued)

3. FINANCIAL INFORMATION OF ESR SINGAPORE PTE. LTD. (continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	<u>Notes</u>	<u>Period from January 1, 2016 to January 20, 2016 USD'000</u>
Cash flows from operating activities		
Loss before tax		(519)
Adjustments for:		
Depreciation of property, plant and equipment	4.2	5
		(514)
Increase in trade receivables		(390)
Increase in prepayments, deposits and other receivables		(115)
Increase in trade payables, accruals and other payables		1,395
Cash flows generated from operations and net cash flows generated from operating activities		<u>376</u>
Cash flows used in investing activities		
Purchase for an available-for-sale investment		(7)
Purchases of property, plant and equipment	4.4	(64)
Net cash flows used in investing activities		<u>(71)</u>
Cash flows used in financing activities		
Repayments to related parties		(131)
Net cash flows used in financing activities		<u>(131)</u>
Net increase in cash and cash equivalents		<u>174</u>
Cash and cash equivalents at beginning of period		2,474
Effect of foreign exchange rate changes, net		151
Cash and cash equivalents at end of period		<u><u>2,799</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the statement of financial position	4.9	3,165
Pledged bank deposits	4.9	(366)
Cash and cash equivalents as stated in the statement of cash flows		<u><u>2,799</u></u>

4. NOTES TO THE FINANCIAL INFORMATION OF ESR SINGAPORE PTE. LTD.

4.1 PRINCIPAL ACCOUNTING POLICIES

The Financial Information of the ESR Singapore Pte., Ltd. has been prepared in accordance with the accounting policies set out in Section II, Note 2.4.

IV. SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD. AND ESR SINGAPORE PTE. LTD. BUSINESS (continued)

4. NOTES TO THE FINANCIAL INFORMATION OF ESR SINGAPORE PTE. LTD. (continued)

4.2 LOSS BEFORE TAX

	Period from January 1, 2016 to January 20, 2016
	USD'000
Wages and salaries (including directors' and chief executives' remuneration)	930
Pension scheme contributions	44
	<u>974</u>
Professional service fee	56
Minimum lease payments under operating leases	33
Depreciation of property, plant and equipment	<u>5</u>

4.3 INCOME TAX EXPENSE

	Period from January 1, 2016 to January 20, 2016
	USD'000
Current tax	(1)
	<u>(1)</u>

A reconciliation of the tax expense is as follows:

	Period from January 1, 2016 to January 20, 2016
	USD'000
Loss before tax	(519)
Tax at the statutory tax rate	(88)
Non-deductible expenses	87
Tax charge	<u>(1)</u>

IV. SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD. AND ESR SINGAPORE PTE. LTD. BUSINESS (continued)

4. NOTES TO THE FINANCIAL INFORMATION OF ESR SINGAPORE PTE. LTD. (continued)

4.4 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Computers and other IT equipment	Total
	USD'000	USD'000	USD'000
January 20, 2016			
At December 31, 2015 and at January 1, 2016:			
Cost	119	535	654
Accumulated depreciation	(21)	(247)	(268)
Net carrying amount	<u>98</u>	<u>288</u>	<u>386</u>
At January 1, 2016, net of accumulated depreciation	98	288	386
Additions	62	2	64
Depreciation provided during the period	—	(5)	(5)
Exchange realignment	4	2	6
At January 20, 2016, net of accumulated depreciation	<u>164</u>	<u>287</u>	<u>451</u>
At January 20, 2016:			
Cost	186	543	729
Accumulated depreciation	(22)	(256)	(278)
Net carrying amount	<u>164</u>	<u>287</u>	<u>451</u>

4.5 AVAILABLE-FOR-SALE INVESTMENTS

	As at January 20, 2016
	USD'000
Available-for-sale financial asset, at cost	<u>179</u>

The available-for-sale financial assets of the Company relates to unquoted equity investment in a privately-held real estate company in Singapore.

The equity investment is carried at cost less accumulated impairment losses because the fair value cannot be reliably determined. The variability in the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range of reasonable inputs are not sufficiently reliable to determine a fair value.

4.6 DEFERRED TAX ASSETS

Movement in deferred tax assets during the period are as follows:

	Losses available for offsetting against future taxable profits
	USD'000
At January 1, 2016	528
Exchange realignment	(4)
Gross deferred tax assets at January 20, 2016	<u>524</u>

IV. SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD. AND ESR SINGAPORE PTE. LTD. BUSINESS (continued)

4. NOTES TO THE FINANCIAL INFORMATION OF ESR SINGAPORE PTE. LTD. (continued)

4.7 TRADE RECEIVABLES

	<u>As at January 20, 2016</u>
	<u>USD'000</u>
Management fees due from funds managed by the Company	1,028
Others	67
	<u>1,095</u>

The ESR Singapore Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required.

4.8 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<u>As at January 20, 2016</u>
	<u>USD'000</u>
Deposits for acquisition	28
Due from other related parties	2,945
Prepayments on behalf of funds	192
Prepayments to suppliers	137
Other receivables	1,052
	<u>4,354</u>

Amount due from other related parties is unsecured, interest-free, and repayable on demand. None of one above assets is either past due or impaired. The financial assets included in the above balance relate to receivables for which there was no recent history of default.

4.9 CASH AND BANK BALANCES

	<u>As at January 20, 2016</u>
	<u>USD'000</u>
Cash and bank balances	2,799
Pledged bank deposits	366
	<u>3,165</u>

Pledged deposit represent bank balances of the Company pledged as security to obtain corporate credit card facility.

Restricted cash represent bank balance of certain subsidiaries reserved for certain specific investment purposes only.

IV. SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD. AND ESR SINGAPORE PTE. LTD. BUSINESS (continued)

4. NOTES TO THE FINANCIAL INFORMATION OF ESR SINGAPORE PTE. LTD. (continued)

4.10 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at January 20, 2016
	USD'000
Accruals	4,851
Trade payables	749
Other tax payable	519
Due to related parties	18,204
Others	1,166
	<u>25,489</u>

Amount due to related parties is unsecured, interest-free and repayable on demand.

4.11 SUBSIDIARIES

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective ownership interest As at January 20, 2016 %
Held by the Company			
Redwood Group Japan Ltd ("RWJ")	Real estate asset management	Japan	100
Redwood Real Estate Development Ltd	Real estate asset development	Japan	100
Redwood Advisors Private Limited	Real estate asset management	India	100
Redwood China Holdings Limited	Distribution and logistics service providers	Hong Kong	49.9
Redwood Japan Logistics Fund LP Pte. Ltd.	Property fund management	Singapore	100
Redwood Japan Logistics Fund GP Pte. Ltd.	General partner for limited partnership	Singapore	100
Redwood China Logistics Fund GP Pte. Ltd.	General partner for limited partnership	Singapore	100
Redwood Group China Holdings Pte. Ltd ("RGCH")	Investment holdings	Singapore	100
Redwood Investment Consulting (Shanghai) Co. Ltd	Real estate asset management	China	100

IV. SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD. AND ESR SINGAPORE PTE. LTD. BUSINESS (continued)

4. NOTES TO THE FINANCIAL INFORMATION OF ESR SINGAPORE PTE. LTD. (continued)

4.12 COMMITMENTS

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	<u>As at January 20, 2016</u>
	<u>USD'000</u>
Within one year	686
After one year but within five years	<u>790</u>

The ESR Singapore Group lease office premises under operating lease. The lease is for a period of one to five year with option to renew the lease after that date.

There is no contingent rent recognized as an expense during the year.

4.13 RELATED PARTY TRANSACTION

During the period from January 1, 2016 to January 20, 2016, other than disclosed elsewhere in the report, there were the following significant related party transactions:

	<u>Period from January 1, 2016 to January 20, 2016</u>
	<u>USD</u>
Funds managed by the ESR Singapore Group	
Investment management fees	275
Development fees	341
Asset management fee income	<u>11</u>

4.14 SHARE CAPITAL

	<u>Number of Shares</u>	<u>Share capital</u>
		<u>USD'000</u>
Ordinary shares at January 1, 2016 and January 20, 2016	<u>22,430,563</u>	<u>10,301</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the ESR Singapore Group and the Company. All shares rank equally with regard to the ESR Singapore Group's residual assets.

All issued shares are fully paid, with no par value.

IV. SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF REDWOOD ASIAN INVESTMENTS, LTD. AND ESR SINGAPORE PTE. LTD. BUSINESS (continued)

4. NOTES TO THE FINANCIAL INFORMATION OF ESR SINGAPORE PTE. LTD. (continued)

4.15 RESERVES

Capital reserves

Capital reserve relates to non-trade amounts that were terminated or waived and were previously due to related corporations as financial support provided to the ESR Singapore Group. As the extinguishment of debts due to related corporations was considered as capital transaction with the owners of the ESR Singapore Group, the amounts were recorded as capital contributions by the owners of the ESR Singapore Group.

Exchange fluctuation reserve

Exchange fluctuation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

4.16 INVOLVEMENT IN UNCONSOLIDATED STRUCTURED ENTITIES

The ESR Singapore Group has been appointed by 6 real estate funds as its Investment Manager to manage the operations of those funds to earn fee income based on their capital contributed by investors, development costs incurred on real estate projects, or for the acquisition advisory service and brokerage service rendered by the ESR Singapore Group. The funds have been designed so that voting and similar rights are not the dominant factor in deciding how the investing activities should be conducted and are financed through the issue of ownership interest instrument to investors. The ESR Singapore Group did not provide any financial support and has no intention of providing financial or any other support.

The table below describes the type of structured entities that the ESR Singapore Group does not consolidate but in which it holds an interest.

<u>Type of structured entity</u>	<u>Nature and purpose</u>	<u>Interest held by the ESR Singapore Group</u>
Investment funds	To generate fees from managing contributed capital on behalf of investors, managing project development, rendering acquisition advisory service or brokerage service	Investment management fees and development fees, acquisition fees and leasing fees
	These vehicles are financed through the issue of ownership interest instrument to investors.	

The ESR Singapore Group earned a total gross fee income of USD627,000 from the real estate funds for the period from January 1, 2016 to January 20, 2016. As at January 20, 2016, the ESR Singapore Group's maximum exposure to loss as a result of acting as the investment manager of the real estate funds is equivalent to the carrying amount of fee income receivable from them amounted to USD1,028,000.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

The audited financial information of Propertylink contained in this Appendix II-A (the “Propertylink Financial Information”) is directly extracted from the financial reports previously published by Propertylink as a company publicly listed on the Australian Stock Exchange. The Propertylink Financial Information has been prepared in accordance with the Australian Accounting Standards and which comply with the International Financial Reporting Standards (“IFRS”).

The Propertylink Financial Information and other related business and operating information of Propertylink for the years ended 30 June 2016, 2017 and 2018 have been included in this Prospectus as follows:

Period covered	Entities involved	Auditors	Quick links	Page Reference
1. For the year ended 30 June 2016	a. Propertylink (Holdings) Limited (currently known as ESR Asset Management (Holdings) Limited) (“PHL”) b. Propertylink Trust (“PT”)	Bentleys Brisbane Partnership	https://www.asx.com.au/asxpdf/20160929/pdf/43bl65nyd70j6c.pdf	II-A-4 to II-A-48
2. For the six months ended 30 June 2016	Propertylink Australian Industrial Partnership (“PAIP”)	KPMG	https://www.asx.com.au/asxpdf/20160929/pdf/43bl5fl0kcmgfv.pdf	II-A-49 to II-A-86
3. For the year ended 30 June 2017	a. PHL b. PT c. PAIP	KPMG	https://www.asx.com.au/asxpdf/20170830/pdf/43lvzg2slr7n6d.pdf	II-A-87 to II-A-142
4. For the year ended 30 June 2018	a. PHL b. PT c. PAIP	KPMG	https://www.asx.com.au/asxpdf/20180814/pdf/43x9kcfpddqcpz.pdf	II-A-143 to II-A-197

Except for those expressly included herein, any other statement, data or information contained in these hyperlinks are not incorporated into this Prospectus. All figures stated in this Appendix II-A are in AUD, unless expressly stated otherwise.

The Propertylink Financial Information is included in this Prospectus in connection with the Company’s application for a waiver from strict compliance with Rule 4.05A of the Listing Rules, and the Stock Exchange has granted us the waiver. For further details, please refer to the section headed “Waivers and Consent from Strict Compliance with the Listing Rules and Exemptions from Companies (Winding Up and Miscellaneous Provisions) Ordinance—Waiver in relation to disclosure of pre-acquisition financial information” in this Prospectus. None of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or the

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

Reporting Accountant involved in the Global Offering or their respective affiliates, directors, officers, employees, advisers or agents was involved or have otherwise participated in the preparation of the Propertylink Financial Information or have performed any verification or inspection as to its accuracy, fairness and completeness.

The inclusion of the Propertylink Financial Information is for the Shareholders and potential investors of our Company to evaluate the risks associated with our Company's investment in Propertylink and the Global Offering only. Shareholders and potential investors of our Company are

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

cautioned not to unduly rely on the Propertylink Financial Information announced by Propertylink, as they do not represent our Group's consolidated results during the Track Record Period. Instead, Shareholders and potential investors of our Company should refer to our Group's consolidated results extracted from the Accountants' Report set out in Appendix I to this Prospectus, as well as the section headed "Financial Information" in this Prospectus. Shareholders and potential investors of our Company should not place undue reliance on any financial information not prepared by our Company, including the Propertylink Financial Information.

A Chinese version of the Propertylink Financial Information has been prepared and included in the Chinese version of this Prospectus by the Directors to be in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). Neither Propertylink nor its independent auditors were involved in or has otherwise participated in the process of translating the Propertylink Financial Information into Chinese.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK (HOLDINGS) LIMITED
(CURRENTLY KNOWN AS ESR ASSET MANAGEMENT (HOLDINGS) LIMITED) AND
PROPERTYLINK TRUST FOR THE YEAR ENDED JUNE 30, 2016**

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2016**

	Note	2016 \$	2015 \$
Income			
Share of net profits of associates and joint ventures	12	9,352,256	2,014,147
Fee income	3	10,757,353	8,324,412
Other income	3	523,517	324,597
Rental income		505,169	137,114
Net gain on investment property at fair value		602,383	—
Total income		21,740,678	10,800,270
Expenses			
Employment and management costs		(7,238,782)	(4,641,958)
Finance costs		(1,435,507)	(449,482)
Occupancy costs		(795,189)	(153,364)
Travel expenses		(585,555)	(406,343)
Legal and consultancy fees		(1,524,078)	(499,258)
Directors fees	5	(394,400)	(292,500)
Auditors remuneration	6	(152,444)	(52,083)
Property expenses		(27,307)	(31,760)
Depreciation and amortisation expense		(200,123)	(131,774)
Administration and other expenses		(776,039)	(1,016,408)
Total expenses		(13,129,424)	(7,674,930)
Profit before income tax		8,611,254	3,125,340
Tax (expense)/income	4(a)	(280,947)	(708,942)
Profit after income tax attributable to owners of the staples securities		8,330,307	2,416,398
Other comprehensive income		—	—
Total comprehensive income attributable to owners of the staples securities		8,330,307	2,416,398
Basic earnings/(loss) per stapled security (cents)	7(a)	29.84	9.24
Diluted earnings/(loss) per stapled security (cents)	7(b)	25.32	7.76
Dividends proposed per share (cents)	8	—	2.00

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK (HOLDINGS) LIMITED
(CURRENTLY KNOWN AS ESR ASSET MANAGEMENT (HOLDINGS) LIMITED) AND
PROPERTYLINK TRUST FOR THE YEAR ENDED JUNE 30, 2016**

**Consolidated Statement of Financial Position
As at 30 June 2016**

	Note	2016 \$	2015 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	3,958,675	2,347,705
Trade and other receivables	10	4,007,660	1,835,941
Other assets	11	162,401	109,334
TOTAL CURRENT ASSETS		8,128,736	4,292,980
NON-CURRENT ASSETS			
Financial assets	13	39,413,597	24,311,215
Investment properties	16	6,470,871	5,856,547
Property, plant and equipment	15	561,920	199,426
Deferred tax assets	20	786,804	183,883
Intangible assets	17	4,565,574	4,586,553
Total non-current assets		51,798,766	35,137,624
TOTAL ASSETS		59,927,502	39,430,604
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	18	10,165,514	2,168,771
Borrowings	19	22,802,226	2,578,466
Current tax liabilities	20	410,510	629,885
Provisions	21	355,781	700,103
TOTAL CURRENT LIABILITIES		33,734,031	6,077,225
NON-CURRENT LIABILITIES			
Provisions	21	198,099	23,960
Borrowings	19	—	8,450,871
TOTAL NON-CURRENT LIABILITIES		198,099	8,474,831
TOTAL LIABILITIES		33,932,130	14,552,054
NET ASSETS		25,995,372	24,878,550
EQUITY			
Issued capital	22	40,598,477	27,255,515
Capital reserve		(20,556,446)	—
Retained earnings/(Accumulated losses)		5,953,341	(2,376,965)
TOTAL EQUITY		25,995,372	24,878,550
NAV per stapled security (cents)		59.34	89.29

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK (HOLDINGS) LIMITED
(CURRENTLY KNOWN AS ESR ASSET MANAGEMENT (HOLDINGS) LIMITED) AND
PROPERTYLINK TRUST FOR THE YEAR ENDED JUNE 30, 2016**

**Consolidated Statement of Changes in Equity
For the year ended 30 June 2016**

		Share capital	Capital reserve	Retained earnings (accumulated losses)	Total
	Note	\$	\$	\$	\$
Balance at 1 July 2014		21,650,643	—	(4,236,110)	17,414,533
Comprehensive income for the year		—	—	2,416,398	2,416,398
		21,650,643	—	(1,819,712)	19,830,931
Shares issued during the year	22	5,865,449	—	—	5,865,449
Share issue costs		(260,577)	—	—	(260,577)
Dividends paid or provided for	8	—	—	(557,253)	(557,253)
Balance at 30 June 2015		<u>27,255,515</u>	<u>—</u>	<u>(2,376,965)</u>	<u>24,878,550</u>
Balance at 1 July 2015		27,255,515	—	(2,376,965)	24,878,550
Comprehensive income for the year		—	—	8,330,307	8,330,307
		27,255,515	—	5,953,341	33,208,856
Shares issued during the year	22	13,883,000	—	—	13,883,000
Share issue costs		(540,038)	—	—	(540,038)
Equity restructure		—	(20,556,446)	—	(20,556,446)
Dividends paid or provided for	8	—	—	—	—
Balance at 30 June 2016		<u>40,598,477</u>	<u>(20,556,446)</u>	<u>5,953,341</u>	<u>25,995,372</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Equity restructure

Under agreements in place as a result of the merging of Propertylink Australasia Pty Limited and the Echo Capital Holdings Pty Limited group into the Propertylink Group in 2011, entities associated with senior management had rights related to profit share and the investment management business. Under a restructure negotiated during the latter half of calendar 2015, entities associated with management agreed to exchange those rights for equity in the Group and earn out payments related to future performance fees. This has been accounted as an equity transaction with owners.

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**Consolidated Statement of Cash Flows
For the year ended 30 June 2016**

	Note	2016 \$'000	2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		14,052,216	9,690,800
Interest received		30,033	90,372
Payments to suppliers and employees		(4,237,585)	(5,620,816)
Finance costs paid		(1,276,019)	(603,181)
Income tax (paid)/refunded		(871,799)	—
Net cash provided by operating activities	25(a)	7,696,846	3,557,175
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		1,063,524	—
Acquisition and improvement of investment properties		—	(5,856,547)
Loan proceeds received from related parties		3,600,000	57,683
Payment for investment in associates and joint ventures		(10,218,977)	(14,171,953)
Purchase of property, plant and equipment		(541,638)	—
Net cash used in investing activities		(6,097,091)	(19,970,817)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		—	5,493,196
Payments to acquire non-controlling interest		(7,444,928)	—
Proceeds from borrowings		10,870,012	11,163,460
Repayment of borrowings		(2,856,611)	(2,810,000)
Dividends paid		(557,257)	(335,745)
Net cash provided by financing activities		11,216	13,510,911
Net increase in cash and cash equivalents		1,610,971	(2,902,731)
Cash and cash equivalents at the beginning of financial year		2,347,704	5,250,435
Cash and cash equivalents at the end of the period		3,958,675	2,347,704

The above consolidated statement of cash flow should be read in conjunction with the accompanying notes.

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**Notes to the Financial Statements
For the year ended 30 June 2016**

Note 1 Summary of Significant Accounting Policies

The financial report is for the entity Propertylink (Holdings) Limited as the parent entity of Propertylink (Holdings) Limited and controlled entities and Propertylink Trust and controlled entities, together the Propertylink Group. At 30 June 2016 Propertylink (Holdings) Limited was an unlisted public company limited by shares, incorporated and domiciled in Australia. The separate financial statements of the parent entity, Propertylink (Holdings) Limited, have not been presented within this financial year as permitted by the *Corporations Act 2001*.

The financial report was authorised for issue by directors on 29 September 2016.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies applied are the same as those applied in the previous financial year unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

Going concern

The directors have determined that the Group's financial report should be prepared on a going concern basis.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

(a) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the Propertylink Group and all of the subsidiaries (including any structured entities). Subsidiaries are

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entities the Parent controls. The Parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 14.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Inter-company transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

(b) Business combination

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations other than those associated with the issue of a financial instrument are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(c) Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds a less than 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree

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either at fair value (“**full goodwill method**”) or at the non-controlling interest’s proportionate share of the subsidiary’s identifiable net assets (“**proportionate interest method**”). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interest is recognised in the consolidated financial statements.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the group’s cash-generating units or groups of cash-generating units, which represents the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

(d) Income tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Current and deferred income tax expense (income) is charged or credited outside the profit and loss when the tax relates to items that are recognised outside the profit and loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value

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and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale. When an investment property that is depreciable is held by the company in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(e) Fair value of assets and liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable accounting standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

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To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and where significant, are detailed in the respective note to the financial statements.

(f) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at its costs, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are re-measured using a fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal.

Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(g) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

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Property

Freehold land and buildings are carried at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(j) for details of impairment).

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss in the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<u>Class of fixed asset</u>	<u>Depreciation rate</u>
Plant and equipment	10% - 20% pa

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(h) Lease

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset—but not the legal ownership—are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(i) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or losses in which case transaction costs are recognised as expenses in profit or loss immediately.

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Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint ventures as being subject to the requirements of Accounting Standards specifically applicable to financial instruments. Accordingly, such interests are accounted for on a cost basis in the parent's separate financial statements.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

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(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) Available-for-sale financial investments

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any re-measurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point

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In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Financial guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as financial liabilities at fair value on initial recognition.

The fair value of financial guarantee contracts has been assessed using the probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting during the next reporting period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposure if the guaranteed party were to default.

Financial guarantees are subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing

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involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(j) Impairment of assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information, including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(k) Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Investments in associates are accounted for in the consolidated financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate. In addition, the Group's share of the profit or loss of the associate is included in the Group's profit or loss.

The carrying amount of the investment includes, when applicable, goodwill relating to the associate. Any discount on acquisition, whereby the Group's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

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When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Upon the associate subsequently making profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(l) Interests in joint arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method. Refer to Note 1(k) for a description of the equity method of accounting.

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Group makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

(m) Employee benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present

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value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the re-measurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(n) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(o) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(p) Revenue and other income

Revenue from asset and property management is recognised on the basis of contractual obligations. Revenue from project management is recognised in accordance with contractual obligations on the basis of regular claims approved at stages of completion. Revenue from administration is recognised on the basis of an agreed fee for services rendered.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax.

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(q) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(i) for further discussion on the determination of impairment losses.

(r) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(s) Borrowing costs

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

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

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

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

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(u) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement of items in the financial statements or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statement is presented.

(v) Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates

Impairment—general

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Impairment losses are recognised in the statement of comprehensive income.

Key judgements

The Group assesses its interest in its joint arrangements and associates annually to ensure that it is accounting for its joint arrangements and associates in accordance with Accounting Standards. This assessment includes a review of the arrangement between the parties, including whether any changes have occurred during the year that would indicate a change in classification is required.

The Directors have an obligation to ensure that the carrying amount of investments in associates and joint arrangements do not exceed fair value at each reporting date.

(w) New Accounting Standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The

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Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

- *AASB 9: Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and de-recognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

- *AASB 15: Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

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Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

Note 2 Parent Information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	<u>2016</u>	<u>2015</u>
	\$	\$
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	77,198,046	39,423,299
Non-current assets	4,028,530	7,493,351
TOTAL ASSETS	<u>81,226,576</u>	<u>46,916,650</u>
LIABILITIES		
Current liabilities	44,806,261	13,032,364
Non-current liabilities	19,233,094	10,984,653
TOTAL LIABILITIES	<u>64,039,355</u>	<u>24,017,017</u>
EQUITY		
Issued capital	40,598,377	27,255,515
Capital reserve	(20,556,446)	—
Retained earnings	(2,854,710)	(4,355,882)
TOTAL EQUITY	<u>17,187,221</u>	<u>22,899,633</u>
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Profit after income tax	1,501,172	1,801,821
Total comprehensive income	<u>1,501,172</u>	<u>1,801,821</u>

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Note 3 Fees and other income

	<u>2016</u>	<u>2015</u>
	\$	\$
Fee income:		
—Acquisitions	2,065,329	3,414,638
—Investment management	5,377,291	2,371,920
—Property management	2,567,993	1,061,811
—Other property services	746,740	1,476,043
Total revenue	10,757,353	8,324,412
Other income:		
—Profit from discontinued infrastructure operations	396,351	231,459
—Interest—other corporations	30,033	90,372
—Sundry	97,133	2,766
Total other income	523,517	324,597

Note 4 Tax expense

		<u>2016</u>	<u>2015</u>
		\$	\$
(a) The components of tax expense/(income) comprise:			
Current tax benefit		(505,857)	525,059
Deferred tax asset	20	786,804	183,883
		<u>280,947</u>	<u>708,942</u>
(b) Reconciliation of income tax expense/(benefit) to prima facie tax payable			
Profit before income tax expense		8,611,254	3,125,340
Prima facie tax expense at the Australian tax rate of 30%		2,583,376	937,602
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income</i>			
Propertylink Trust income		(2,126,091)	(145,124)
Non-deductible expenses		12,158	(14,098)
Share equity cost written off		(82,699)	—
Capital gain sheltered by carrying forward capital loss		(118,905)	—
Adjustments in respect of prior year		13,108	—
Share of net profit of investment accounted for using the equity method		—	(69,438)
		<u>280,947</u>	<u>708,942</u>

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Note 5 Key management personnel compensation

The totals of remuneration paid to key management personnel (KMP) of the Group during the year are as follows

<u>Directors' fees</u>	<u>2016</u>	<u>2015</u>
	\$	\$
Peter Lancken	101,200	72,500
Ian Hutchinson	82,200	60,000
Chris Ryan	111,000	60,000
Derek Nix	50,000	50,000
David Epper	50,000	50,000
	<u>394,400</u>	<u>292,500</u>

During the 2016 year certain Directors were required to carry out additional duties, mainly related to a management re-structure which was negotiated during the year and completed near the end of the year. As a result, Peter Lancken, Chris Ryan and Ian Hutchinson were paid fees to compensate them for the additional duties. Those fees are included in this note.

Note 6 Auditors' remuneration

	<u>2016</u>	<u>2015</u>
	\$	\$
Remuneration of the auditor of the parent entity for:		
—auditing or reviewing the financial statements	117,284	44,083
Remuneration of the auditor of the subsidiary entity for:		
—auditing or reviewing the financial statements	35,160	8,000
	<u>152,444</u>	<u>52,083</u>

Note 7 Earnings per stapled security

	<u>2016</u>	<u>2015</u>
	\$	\$
Profit attributable to the ordinary stapled securityholders of the Group	8,330,307	2,416,398
Weighted average number of ordinary stapled securities	27,915,673	26,158,492
(a) Basic earnings per stapled security (cents)	29.84	9.24
Adjustments for calculation of diluted earnings per stapled security		
Options exercised but not yet issued as shares	4,982,206	4,982,206
Weighted average number of ordinary stapled securities and potential ordinary stapled securities	32,897,879	31,140,698
(b) Diluted earnings per stapled security (cents)	25.32	7.76

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Note 8 Dividends

	<u>2016</u>	<u>2015</u>
	\$	\$
Distributions provided for:		
Fully franked ordinary dividend of \$Nil (2015: \$557,253) franked at the tax rate of 30% (2015: 30%).	—	557,253
Balance of franking account at year end adjusted for franking credits/(debits) arising from:	418,898	657,722
—franking credit on income tax paid	871,799	—
—franking debit on dividend provided	—	(238,824)
	<u>1,290,697</u>	<u>418,898</u>
Total dividends (cents) per share provided	—	2.00

Note 9 Cash and cash equivalents

	<u>2016</u>	<u>2015</u>
	\$	\$
Cash at bank and on hand	3,958,675	2,347,705

Note 10 Trade and other receivables

	<u>2016</u>	<u>2015</u>
	\$	\$
Current		
Trade receivables	2,471,897	1,393,946
Sundry debtors	1,046,595	57,762
Trust distribution	375,774	126,321
	<u>3,894,266</u>	<u>1,578,028</u>
Deposit	86,394	228,741
Loans	27,000	29,172
Total current trade and other receivables	<u>4,007,660</u>	<u>1,835,941</u>

Note 11 Other assets

	<u>2016</u>	<u>2015</u>
	\$	\$
Current		
Prepayments	162,401	109,334

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Note 12 Associates and joint arrangements

a. Information about principal joint ventures and associates

Set out below are the material associates and joint ventures of the Group. The entities listed below have equity of ordinary shares or units in unit trusts. The proportion of equity held by the Group generally equals the voting rights held by the Group.

Name	Classification	Place of incorporation/ business	Proportion of equity		Measurement method	Carrying amount	
			2016	2015		2016	2015
			%	%		\$	\$
Instruct Corporation Pty Ltd	Joint venture	Australia	0%	50%	Equity accounted	—	126,856
PAIP Investment Partnership	Joint venture	Australia	25%	25%	Equity accounted	21,692,652	15,053,210
Auslog Holdings Trust	Joint venture	Australia	10%	10%	Equity accounted	2,763,177	2,650,343
PHL Moelis Braeside Trust	Joint venture	Australia	10%	10%	Equity accounted	2,036,299	1,800,000
POP II Investment Partnership	Joint venture	Australia	20%	20%	Equity accounted	6,214,788	4,680,806
PCII	Joint venture	Australia	7.50%	0%	Equity accounted	882,364	—
Propertylink Australian Industrial Partnership II	Joint venture	Australia	3.95%	0%	Equity accounted	3,297,157	—
POP III Investment Partnership	Joint venture	Australia	6.00%	0%	Equity accounted	2,527,160	—
						<u>39,413,597</u>	<u>24,311,215</u>

b. Contingent liabilities in respect of associates

The Group is not liable for any contingent liabilities arising from its interests in associates.

c. Commitments and contingent liabilities in respect of joint ventures

Refer to note 24 for details of limited guarantee issued to financiers of PAIP, which was released on 15 August 2016.

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d. Summarised financial information for joint ventures

Set out below is the summarised financial information for joint ventures. Unless otherwise stated, the disclosed information reflects the amounts presented in the financial statements of each joint venture. The following summarised financial information, however, reflects the adjustments made by the Group when applying the equity method, including adjustments for any differences in accounting policies between the Group and the joint ventures.

30 June 2016	Instruct Corporation Pty Ltd	PAIP Investment Partnership	Auslog Holdings Trust	PHL Moelis Braeside Trust	POP II Investment Partnership	PCII	Propertylink Australian Industrial Partnership II	POP III Investment Partnership	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Summarised financial position									
Cash and cash equivalents	—	10,677	1,388,725	515,614	821	919,152	54,957,326	1,973,586	59,765,901
Total current assets ...	—	1,671,303	1,636,025	764,564	921,512	1,046,747	70,694,828	2,241,924	78,976,902
Total non-current assets	—	86,424,008	69,000,000	42,848,650	31,072,925	29,000,000	32,521,736	99,017,059	389,884,377
Total current liabilities	—	(1,324,703)	(1,337,449)	(1,113,288)	(920,497)	(1,032,874)	(947,811)	(2,069,181)	(8,745,804)
Total non-current liabilities	—	—	(41,666,875)	(22,136,937)	—	(17,248,942)	(18,701,965)	(56,821,485)	(156,576,204)
Net assets	—	86,770,608	27,631,701	20,362,988	31,073,940	11,764,932	83,566,787	42,368,316	303,539,272
Group's share (%)	0.00%	25.00%	10.00%	10.00%	20.00%	7.50%	3.95%	6.00%	
Group's share of associate's net assets	—	21,692,652	2,763,177	2,036,299	6,214,788	882,364	3,297,157	2,527,160	39,413,597
Summarised financial performance									
Revenue	—	21,417,807	6,351,862	6,959,842	8,805,826	1,603,607	2,192,988	1,692,504	49,024,435
Depreciation and amortisation	—	—	—	—	—	—	—	—	—
Interest income	—	4,838,146	—	2,738	1,760,035	6,743	13,802	6,118	6,699,281
Interest expense	—	—	(1,787,842)	(897,741)	(195)	(479,186)	(542,723)	(545,529)	(3,437,401)
Other expenses	—	(2,371)	(454,110)	(2,398,946)	—	(2,858,984)	(2,678,559)	(484,163)	(8,750,153)
Profit or loss from continuing operations	—	26,253,582	4,109,911	3,665,893	10,565,666	(1,727,820)	(1,014,492)	668,929	43,536,161
Income tax expense ..	—	—	—	—	—	—	—	—	—
Profit after tax from continuing operations	—	26,253,582	4,109,911	3,665,893	10,565,666	(1,727,820)	(1,014,492)	668,929	43,536,161
Total comprehensive income	—	26,253,582	4,109,911	3,665,893	10,565,666	(1,727,820)	(1,014,492)	668,929	43,536,161
Group's share of joint venture's total comprehensive income	—	6,563,396	410,992	366,589	2,119,387	(129,587)	(18,657)	40,136	9,352,256

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30 June 2015	Instruct Corporation Pty Ltd	PAIP Investment Partnership	Auslog Holdings Trust	PHL Moelis Braeside Trust	POP II Investment Partnership	PC II	Propertylink Australian Investment Partnership II	POP III Investment Partnership	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Summarised financial position									
Cash and cash equivalents	414,503	13,533	1,280,493	423,751	—	—	—	—	2,132,280
Total current assets	1,023,476	599,042	2,034,866	664,809	32,287	—	—	—	4,354,480
Total non-current assets ..	133,979	59,866,240	67,830,962	40,816,759	23,403,015	—	—	—	192,050,955
Total current liabilities ...	(903,743)	(252,442)	(1,695,590)	(54,649)	(31,272)	—	—	—	(2,937,695)
Total non-current liabilities	—	—	(41,666,875)	(22,793,299)	—	—	—	—	(64,460,174)
Net assets	253,712	60,212,840	26,503,363	18,633,620	23,404,030	—	—	—	129,007,565
Group's share (%)	50.00%	25.00%	10.00%	10.00%	20.00%	0.00%	0.00%	0.00%	
Group's share of associate's net assets	126,856	15,053,210	2,650,336	1,863,362	4,680,806	—	—	—	24,374,570
Summarised financial performance									
Revenue	4,642,797	3,843,952	5,014,182	1,361,062	—	—	—	—	14,861,993
Depreciation and amortisation	(13,378)	—	—	—	—	—	—	—	(13,378)
Interest income	—	2,936,835	—	2,219	31,272	—	—	—	2,970,326
Interest expense	(5,055)	—	(1,979,626)	(295,829)	—	—	—	—	(2,280,510)
Other expenses	(4,212,103)	(11,600)	(254,632)	(433,835)	—	—	—	—	(4,912,170)
Profit or loss from continuing operations ..	412,262	6,769,187	2,779,924	633,617	31,272	—	—	—	10,626,260
Income tax expense	(129,305)	—	—	—	—	—	—	—	—
Profit after tax from continuing operations ..	282,957	6,769,187	2,779,924	633,617	31,272	—	—	—	10,626,260
Total comprehensive income	282,957	6,769,187	2,779,924	633,617	31,272	—	—	—	10,626,260
Group's share of joint venture's total comprehensive income	141,478	1,692,297	277,992	63,362	6,254	—	—	—	2,181,383

Note 13 Financial assets

	2016	2015
	\$	\$
Non-current		
Shares in joint venture entities	—	126,856
Units in unit trusts	39,413,597	24,184,359
	39,413,597	24,311,215

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Note 14 Interests in subsidiaries

The subsidiaries listed below have either share capital consisting solely of ordinary shares or units in unit trusts, which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation or registration.

	<u>Country of Corporation</u>	<u>2016 (%)</u>	<u>2015 (%)</u>
Parent Entity:			
Propertylink (Holdings) Ltd (stapled entity—Propertylink Trust)			
Subsidiaries of Propertylink (Holdings) Ltd			
BRV Nominees Pty Ltd	Australia	100%	100%
Propertylink Funds Management Pty Ltd	Australia	100%	100%
Propertylink Admin Management Pty Ltd	Australia	100%	100%
Propertylink Capital Pty Ltd	Australia	100%	100%
Propertylink Services Management Pty Ltd	Australia	100%	100%
Propertylink Investment Management Pty Ltd	Australia	100%	100%
Infralink (Australasia) Pty Ltd	Australia	100%	100%
MITSA Pty Ltd	Australia	100%	100%
Propertylink (Australasia) Pty Ltd	Australia	100%	100%
Propertylink WIM Pty Ltd	Australia	100%	—
Propertylink PAIP Pty Ltd	Australia	100%	—
Propertylink Nominees Pty Ltd	Australia	100%	—
BBR 15 Pty Ltd	Australia	100%	—
PAIP II MA Nominees Pty Ltd	Australia	100%	—
PAIP II BA Nominees Pty Ltd	Australia	100%	—
Controlled entities of Propertylink Trust			
PAIP PT	Australia	100%	100%
PT Moelis Trust	Australia	100%	100%
Propertylink Office Partnership Trust	Australia	100%	100%
POP 73 Miller Trust	Australia	100%	100%
POP II PT	Australia	100%	100%
PAIP II PT	Australia	100%	—
POP III PT	Australia	100%	—

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

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Note 15 Property, plant and equipment

	<u>2016</u>	<u>2015</u>
	\$	\$
Leasehold improvements at cost	685,122	216,894
Accumulated depreciation	(236,188)	(91,538)
	<u>448,933</u>	<u>125,356</u>
Office furniture and equipment at cost	200,738	127,327
Accumulated depreciation	(87,751)	(53,258)
	<u>112,987</u>	<u>74,070</u>
Total	<u>561,920</u>	<u>199,426</u>

Note 16 Investment properties

<u>73 Miller Street, North Sydney</u>	<u>2016</u>	<u>2015</u>
	\$	\$
At 1 July	5,856,547	—
Property acquisitions	—	5,856,547
Capitalised straight-lining of fixed increases in operating leases inclusive of lease incentives	11,941	—
Revaluation adjustment	602,383	—
Investment properties at 30 June	<u>6,470,871</u>	<u>5,856,547</u>

Note 17 Intangible assets

	<u>2016</u>	<u>2015</u>
	\$	\$
Web development cost	—	38,905
Accumulated amortisation	—	(17,927)
	<u>—</u>	<u>20,978</u>
Goodwill		
Cost	4,565,574	4,565,574
Intangible assets net carrying amount	4,565,574	4,586,553

Note 18 Trade and other payables

	<u>2016</u>	<u>2015</u>
	\$	\$
Current		
Trade payables	1,213,078	398,868
Other payables and accrued expenses	8,616,008	1,433,851
GST payable	287,959	284,883
Bonds payable	48,469	51,169
	<u>10,165,514</u>	<u>2,168,771</u>

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Note 19 Borrowings

	<u>2016</u>	<u>2015</u>
	\$	\$
Current		
Bank loan secured	13,876,000	2,160,000
Borrowing costs	(135,625)	(130,239)
Loan—others	9,061,851	548,706
Total current borrowings	<u>22,802,226</u>	<u>2,578,466</u>
Non-current		
Bank loan secured	—	8,541,610
Borrowing costs	—	(90,739)
Total non-current borrowings	—	8,450,870
Total borrowings	<u>22,802,226</u>	<u>11,029,337</u>
(a) Total current and non-current secured liabilities:		
Bank loan	13,876,000	10,701,610
(a) The bank debt is secured by general security agreements and covenants imposed by the bank have been met.		
(b) The bank facility was due to expire on 27 February 2017, however, the bank facility was fully repaid on 15 August 2016 as part of the IPO re-structure.		

Note 20 Tax

	<u>2016</u>	<u>2015</u>
	\$	\$
Current liabilities		
Income tax payable	410,510	629,885
Non-current assets		
Deferred tax assets	786,804	183,883
	<u>Balance as</u>	<u>(Charged)/</u>
	<u>at 30 June</u>	<u>Credited</u>
	<u>2016</u>	<u>to Income</u>
	\$	\$
Deferred tax assets / (liabilities)		
Carried forward tax losses	—	—
Capitalised issue costs	257,622	140,733
Annual leave, other accruals and provisions for doubtful debts	529,182	66,994
	<u>786,804</u>	<u>183,883</u>
	<u>462,188</u>	<u>7,682</u>
	<u>140,733</u>	<u>89,589</u>

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Note 21 Provisions

	<u>2016</u>	<u>2015</u>
	\$	\$
Current		
Employee benefits	236,275	36,954
Provision for dividends	—	559,469
Provision for fringe benefits tax	7,460	19,316
Payroll liabilities	<u>112,046</u>	<u>84,364</u>
Total current provisions	<u>355,781</u>	<u>700,103</u>
Non-current		
Employee benefits—long service leave	<u>198,099</u>	<u>23,960</u>

Provision for employee benefits

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

Provision for dividends

A provision has been recognised for dividends that have been declared, but are yet to be paid.

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Note 22 Issued capital

	<u>2016</u>	<u>2015</u>
	\$	\$
Fully paid ordinary shares	40,598,477	27,255,515
	No.	No.
(a) Securities on issue		
Shares at the beginning of the reporting period	27,862,792	22,530,566
Shares issued during the year	15,945,455	5,332,226
Shares at the end of the reporting period	43,808,247	27,862,792
Options on issue at the beginning of the reporting period	—	4,982,206
Options exercised during the year but not yet issued as shares (see below)		4,982,206
Options on issue at the end of the reporting period	—	—

The company issued the following shares during the year:

- 45,455 shares at \$1.10 per share in satisfaction of a staff bonus;
- 8,700,000 shares at a nominal value of \$1.59 per share as part consideration for the acquisition of BBR 15 Pty Limited from Echo Capital Holdings Trust on 29 June 2016; and
- 7,200,000 shares at nil value in satisfaction of a management right to have Zero Exercise Price Options issued to them under management services agreements first entered in 2011.

The shares are eligible for dividends. Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

In September 2014 the holders of all options exercised the options and become entitled to have partly paid securities issued. However under the terms of the option agreement no partly paid securities were to be issued until certain conditions precedent were satisfied. Securities once issued were to be partly paid, which would not have created the desired capital structure at IPO. Propertylink and the holders of these rights agreed that the holders would be paid to relinquish their rights in exchange for a repayment of amounts already paid, plus a capital sum calculated with regard to the implied value of securities at IPO. Those payments were made on 15 August 2016, and the rights to have securities issued were extinguished.

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(b) Capital management

Management controls the capital of the Group in order to maintain an acceptable debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

	<u>2016</u>	<u>2015</u>
	\$	\$
Total borrowings	22,802,226	11,029,337
Trade and other payables	10,165,514	2,168,771
Less cash and cash equivalents	(3,958,675)	(2,347,705)
Net debt	29,009,065	10,850,403
Total equity	25,995,372	24,878,550
Total capital	55,004,437	35,728,953
Gearing ratio	53%	30%

Note 23 Capital and leasing commitments

	<u>2016</u>	<u>2015</u>
	\$	\$
Operating lease commitments		
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable—minimum lease payments		
—not later than 12 months	592,191	762,565
—between 12 months and five years	5,043,048	3,460,127
—later than five years	—	2,175,113
	5,635,240	6,397,805

The property lease is a non-cancellable lease with a seven-year term, with rent payable monthly in advance.

Note 24 Contingent liabilities and contingent assets

At 30 June 2016 Propertylink had a contingent liability in the form of a limited guarantee issued to the financiers of PAIP. PAIP acquired Melbourne Markets assets in September 2015, which

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consist of industrial properties constructed on land leased from the Melbourne Markets Authority. Propertylink's guarantee was several, could only be called in the event that some or all Melbourne Markets ground leases were terminated or become valueless, and was limited to a maximum of \$3.16m if called. As part of the IPO restructure process Propertylink was released from the limited guarantee on 15 August 2016.

Other than that contingent liability, at balance date the group had no significant contingent assets or liabilities.

Note 25 Cash flow information

(a) Reconciliation of profit for the period to net cash flows from operating activities

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Profit after income tax	8,330,307	2,416,398
<i>Adjustments to reconcile profit before tax to net cash flows</i>		
Valuation (gains) on investment property	(602,383)	—
Depreciation and amortisation expense	200,123	131,774
Amortisation of borrowing costs	159,489	—
Straight-lining rental income adjustments	(11,941)	—
Share of joint venture tax expenses	—	64,653
Deferred tax credited to capitalised share issue costs	231,445	—
Valuation (gains) on investment in joint ventures	(5,946,927)	—
	<u>(5,970,194)</u>	<u>196,427</u>
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in trade and other receivable	(2,171,720)	(176,060)
(Increase)/decrease in other assets	(53,067)	(42,628)
(Increase)/decrease in deferred tax assets	(602,921)	(97,272)
Increase in trade and other payables	7,994,530	1,610,108
Increase/(decrease) in income tax payable	(219,376)	(629,885)
Increase/(decrease) in provisions (excluding provision for dividend)	389,287	280,087
	<u>5,336,733</u>	<u>944,350</u>
Net cash flows from operating activities	<u>7,696,846</u>	<u>3,557,175</u>

(b) Credit standby arrangement and loan facilities

At 30 June 2016 the company had a market rate loan facility amounting to \$14,370,000 (2015: \$14,370,000). This may be terminated under certain determined circumstance. At 30 June 2016, \$13,876,000 of this facility was used (2015: \$10,701,610). Interest rates are variable. The facility was fully repaid on 15 August 2016.

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Note 26 Events after the reporting period

Security holders are advised of the following matters which occurred after balance date:

- In May 2016 Propertylink and its investment partners in PAIP agreed to work towards an IPO involving the stapling of PAIP units to Propertylink securities. Propertylink and its PAIP partners continued to pursue this outcome post year end, and on 15 August 2016 the IPO was completed. For further details please refer to the Prospectus and Product Disclosure Statement (PDS), and to the Supplementary Prospectus and Product Disclosure Statement (Supplementary PDS), which may be found on the Propertylink web site.
- As a result of the completion of the IPO, all Propertylink external debt as disclosed in note 18 was fully repaid. The debt repaid included secured bank loans and unsecured other loans. Also at IPO completion the listed entity drew down on a new senior debt facility with Westpac Banking Corporation (for further details please refer to the PDS).
- As disclosed in note 22, certain parties had a right to have partly paid securities issued to them from options exercised in 2014. It was agreed with these parties during the IPO process that the partly paid securities would not be issued, monies already advanced as a part payment for the securities would be repaid, and a capital payment to compensate the holders for the cancellation of the rights would be made on IPO completion.
- Again as a result of the stapling of PAIP to Propertylink on 15 August 2016, Propertylink became entitled to an investment management performance fee of \$25.2m payable by the PAIP owners. This fee funded a special dividend of 22c per share to Propertylink security holders at the record date of 12 August 2016, and also funded staff bonus payments and other costs incurred as a result of the IPO.
- In order to avoid a cross shareholding on completion of the stapling of Propertylink and PAIP, Propertylink Trust sold its investment interest in PAIP for approximately \$21.2m immediately prior to the stapling on 15 August 2016. Proceeds from the sale of this investment funded a special distribution of 48c per unit to Propertylink Trust securityholders on record at 12 August 2016.
- As disclosed in the Supplementary Prospectus and PDS, in July 2016 Propertylink formed a new fund, Propertylink Enhanced Partnership (PEP). Propertylink committed approximately \$17.7m in equity to PEP, with the balance of equity committed by a Goldman Sachs Investor entity. During August and September 2016 PEP completed the acquisition of approximately \$142m of property.

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Note 27 Related party transactions

The Group's main related parties are as follows

(a) Entities exercising control over the group:

No entity exercises control over the Group.

(b) Key management personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 5: Key management personnel compensation.

(c) Entities subject to significant influence by the group:

An entity which has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

For details of interests held in associates, refer to Note 12.

(d) Joint ventures accounted for under the equity method:

The Group has a various interest in the joint venture. The interest in joint venture is accounted for in these consolidated financial statements of the Group, using the equity method of accounting.

For details of interests held in joint ventures, refer to Note 12.

(e) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(f) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

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The following transactions occurred with related parties

	<u>2016</u>	<u>2015</u>
	\$	\$
i. Purchase of goods and services		
Management services contract		
Echo Capital Holdings Trust	2,167,478	2,336,226
Project management fees		
Nix Anderson Pty Ltd	108,000	140,700
ii. Shareholdings		
	No	No
Christopher Ryan	872,573	872,573
Peter Lancken	1,115,041	1,115,041
Stephen Day	7,235,996	1,193,996
Derek Nix	150,000	150,000
David Epper	77,273	77,273
Ian Hutchinson	25,000	25,000
Peter McDonald	4,763,776	629,776
Stuart Dawes	2,015,204	—
	<u>16,254,863</u>	<u>4,063,659</u>

Note 28 Financial risk management

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills, leases, preference shares, and derivatives.

The carrying amounts for each category of financial instruments, measured in accordance with AASB 139: *Financial Instruments: Recognition and Measurement* as detailed in the accounting policies to these financial statements, are as follows:

	<u>2016</u>	<u>2015</u>
	\$	\$
Financial assets		
Cash and cash equivalents	3,958,675	2,347,705
Loans and receivables	3,921,266	1,607,200
Total financial assets	<u>7,879,941</u>	<u>3,954,905</u>
Financial liabilities		
Financial liabilities at amortised cost		
—Trade and other payables	10,165,514	2,168,771
—Borrowings	22,802,226	11,029,337
Total financial liabilities	<u>32,967,740</u>	<u>13,198,108</u>

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Financial risk management policies

The directors' overall financial risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance. The main purpose of non-derivative financial instruments is to raise finance for company operations. The company does not have any derivative instruments at 30 June 2016.

The finance committee, consisting of senior executives of the Group, meets on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. The finance committee's overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

The finance committee operates under policies approved by the Board of Directors. Financial risk management policies are approved and reviewed by the Board on a regular basis. These include credit risk policies and future cash flow requirements.

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk and other price risk. There have been no substantive changes in the types of risks the company is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness and includes the utilisation of systems for the approval, granting and renewal of credit limits, the regular monitoring of exposures against such limits and the monitoring of the financial stability of significant customers and counterparties. Such monitoring is used in assessing receivables for impairment. Credit terms are generally 30 to 45 days from the date of invoice

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the finance committee has otherwise assessed as being financially sound.

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(b) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets

The table below reflects an undiscounted contractual maturity analysis for non-derivative financial liabilities. Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liability. The Group does not hold any derivative financial liabilities directly

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 years		Total	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment						
Secured loans	13,876,000	2,160,000	—	8,541,610	13,876,000	10,701,610
Trade and other payables	10,165,514	1,142,545	—	—	10,165,514	1,142,545
Amounts payable to related parties	3,600,000	1,026,226	—	—	3,600,000	1,026,226
Total expected outflows	<u>27,641,514</u>	<u>4,328,771</u>	<u>—</u>	<u>8,541,610</u>	<u>27,641,514</u>	<u>12,870,381</u>

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	Within 1 Year		1 to 5 years		Total	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Financial assets—cash flows						
realisable						
Cash and cash equivalents . . .	3,958,675	2,347,705	—	—	3,958,675	2,347,705
Trade, term and loan						
receivables	3,894,266	1,578,028	—	—	3,894,266	1,578,028
Total expected inflows	7,852,941	3,925,733	—	—	7,852,941	3,925,733
Net (outflow)/inflow on						
financial instruments	(19,788,573)	(403,038)	—	(8,541,610)	(19,788,573)	(8,944,648)

The Group manages the liquidity required to meet its current liabilities from operating cash flows. Non-current liabilities in respect of bank loans are managed by way of re-negotiation or from the sale of medium to long term assets.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group manages credit risk by ensuring that appropriate due diligence is carried out before entering into lease agreements with commercial tenants. Receivables balances are regularly monitored so as to ensure minimum exposure to bad debts.

(c) Market risk

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments. The financial instruments that expose the Group to interest rate risk are limited to borrowings, listed shares, cash and cash equivalents.

Interest rate risk is managed using floating rate debt. At 30 June 2016 100% of group debt is floating. The Group also manages interest rate risk by ensuring that, whenever possible, payables are paid within any pre-agreed credit terms.

The net effective variable interest rate borrowings (i.e. unhedged debt) expose the Group to interest rate risk which will impact future cash flows and interest charges and is indicated by the following floating interest rate financial liabilities:

<u>Floating rate instruments</u>		2016	2015
	Note	\$	\$
Bank facilities	18	13,876,000	10,701,610

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**Notes to the Financial Statements (continued)
For the year ended 30 June 2016**

Sensitivity analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities also assume that the movement in a particular variable is independent of other variables.

	2016		2015	
	Profit	Equity	Profit	Equity
	\$	\$	\$	\$
Increase in interest rate by 0.5%	69,380	—	53,508	—
Decrease in interest rate by 0.5%	(69,380)	—	(53,508)	—

There have been no changes in any of the assumptions used to prepare the above sensitivity analysis from the prior year.

(d) Net fair values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Differences between fair values and carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments, which are carried at amortised cost (ie trade receivables, loan liabilities), are to be held until maturity and therefore the fair value figures calculated bear little relevance to the Group.

	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	3,958,675	3,958,675	2,347,705	2,347,705
Trade and other receivables	3,894,266	3,894,266	1,578,028	1,578,028
Total financial assets	<u>7,852,941</u>	<u>7,852,941</u>	<u>3,925,733</u>	<u>3,925,733</u>
Financial liabilities				
Trade and other payables	13,765,514	13,765,514	2,168,771	2,168,771
Bank debt	13,876,000	13,876,000	10,701,610	10,701,610
Total financial liabilities	<u>27,641,514</u>	<u>27,641,514</u>	<u>12,870,381</u>	<u>12,870,381</u>

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK (HOLDINGS) LIMITED
(CURRENTLY KNOWN AS ESR ASSET MANAGEMENT (HOLDINGS) LIMITED) AND
PROPERTYLINK TRUST FOR THE YEAR ENDED JUNE 30, 2016**

**Notes to the Financial Statements (continued)
For the year ended 30 June 2016**

Note 29 Company details

The registered office of the company is

Level 29, 20 Bond Street

SYDNEY NSW 2000

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK (HOLDINGS) LIMITED
(CURRENTLY KNOWN AS ESR ASSET MANAGEMENT (HOLDINGS) LIMITED) AND
PROPERTYLINK TRUST FOR THE YEAR ENDED JUNE 30, 2016**

Directors' Declaration

In accordance with a resolution of the directors of Propertylink Group, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 9 to 36 (Note), are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with international financial reporting standards (IFRS); and
 - (b) give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the consolidated group.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Peter Lancken
Chairman
29 September 2016



Stuart Dawes
Chief Executive Officer
29 September 2016

Note:

Page references above refer to the original audited accounts. The equivalent pages in this appendix are II-A-4 to II-A-45.

APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE THREE YEARS ENDED 30 JUNE 2018

THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK (HOLDINGS) LIMITED (CURRENTLY KNOWN AS ESR ASSET MANAGEMENT (HOLDINGS) LIMITED) AND PROPERTYLINK TRUST FOR THE YEAR ENDED JUNE 30, 2016



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PROPERTYLINK (HOLDINGS) LIMITED

We have audited the accompanying consolidated financial report of Propertylink (Holdings) Limited ("the group"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements* that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



A member of Bentleys, a network of independent accounting firms located throughout Australia, New Zealand and China that trade as Bentleys. All members of the Bentleys Network are affiliated only and are separate legal entities and not in Partnership. Liability limited by a scheme approved under Professional Standards Legislation.



APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018

THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK (HOLDINGS) LIMITED
(CURRENTLY KNOWN AS ESR ASSET MANAGEMENT (HOLDINGS) LIMITED) AND
PROPERTYLINK TRUST FOR THE YEAR ENDED JUNE 30, 2016



INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PROPERTYLINK HOLDINGS LIMITED (Continued)

Opinion

In our opinion:

- (a) the financial report of Propertylink (Holdings) Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Bentleys Brisbane Partnership

Stewart Douglas
Partner
Brisbane
29 September 2016



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**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK AUSTRALIAN
INDUSTRIAL PARTNERSHIP FOR THE SIX MONTHS ENDED JUNE 30, 2016**

**Consolidated statement of profit or loss and other comprehensive income
For the six months ended 30 June 2016**

	Note	1 Jan 2016 to 30 Jun 2016 \$'000	1 Jan 2015 to 31 Dec 2015 \$'000
Revenue			
Property rental income	6	32,137	50,651
Property expenses	8	(7,902)	(13,462)
<i>Other income</i>			
Interest income		40	63
Other income	6	81	545
Gain on disposal of investment property		677	246
Valuation gains from investment property		65,673	10,515
		90,706	48,558
Expenses			
Operating expenses		(427)	(614)
Finance costs	9	(17,118)	(28,655)
Trust management fees		(1,564)	(2,654)
Depreciation		(1,013)	—
Loss on fair value of derivative financial instruments		(1,223)	—
		(21,345)	(31,923)
Net profit for the period		69,361	16,635
Other comprehensive income			
Revaluation gains on property, plant and equipment		11,439	—
Total other comprehensive income for the period		11,439	—
Total comprehensive income for the period		80,800	16,635
Basic and diluted earnings per unit (EPU)	11	104c	31c

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK AUSTRALIAN
INDUSTRIAL PARTNERSHIP FOR THE SIX MONTHS ENDED JUNE 30, 2016**

**Consolidated statement of financial position
As at 30 June 2016**

	Note	30 Jun 2016 \$'000	31 Dec 2015 \$'000
Current assets			
Cash and cash equivalents	12	5,727	9,223
Trade and other receivables	13	1,079	915
Prepayments		1,860	1,007
Receivable from unitholders		3,500	—
Investment property held for sale	15	9,300	—
Total current assets		21,466	11,145
Non-current assets			
Property, plant and equipment	14	92,000	—
Investment properties	15	583,650	618,856
Total non-current assets		675,650	618,856
Total assets		697,116	630,001
Current liabilities			
Trade and other payables	16	8,920	7,466
Derivative financial instruments	17	1,278	119
Unearned income		1,371	1,330
Distribution payable		3,313	2,377
Total current liabilities		14,882	11,292
Non-current liabilities			
Interest-bearing loans and borrowings	18	337,663	345,475
Preference units	18	199,294	199,294
Total non-current liabilities		536,957	544,769
Total liabilities		551,839	556,061
NET ASSETS		145,277	73,940
Equity			
Issued capital	19	66,431	66,431
Retained earnings		67,407	7,509
Asset revaluation reserve		11,439	—
Total Equity		145,277	73,940

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK AUSTRALIAN
INDUSTRIAL PARTNERSHIP FOR THE SIX MONTHS ENDED JUNE 30, 2016**

**Consolidated statement of changes in equity
For the six months ended 30 June 2016**

	Note	Issued Capital \$'000	Retained Earnings \$'000	Asset Revaluation reserve \$'000	Total Equity \$'000
Balance at 1 Jan 2015		39,181	—	—	39,181
Total comprehensive income for the period	11	—	16,635	—	16,635
Contributions of equity net of issue costs	19	27,250	—	—	27,250
Distribution provided for or paid		—	(9,126)	—	(9,126)
Balance at 31 Dec 2015		66,431	7,509	—	73,940

	Note	Issued Capital \$'000	Retained Earnings \$'000	Asset Revaluation reserve \$'000	Total Equity \$'000
Balance at 1 Jan 2016		66,431	7,509	—	73,940
Total comprehensive income for the period	11	—	69,361	11,439	80,800
Contributions of equity net of issue costs	19	—	—	—	—
Distribution provided for or paid		—	(9,463)	—	(9,463)
Balance at 30 Jun 2016		66,431	67,407	11,439	145,277

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK AUSTRALIAN
INDUSTRIAL PARTNERSHIP FOR THE SIX MONTHS ENDED JUNE 30, 2016**

**Consolidated statement of cash flows
For the six months ended 30 June 2016**

	Note	1 Jan 2016 to 30 Jun 2016 \$'000	1 Jan 2015 to 31 Dec 2015 \$'000
Cash flows from operating activities			
Cash receipts in the course of operations		33,652	49,669
Cash payments in the course of operations		(12,753)	(14,695)
Finance costs		(16,327)	(27,344)
Rental bonds		110	227
Net cash flows generated by operating activities	20	<u>4,682</u>	<u>7,857</u>
Cash flows from investing activities			
Acquisition and improvement of investment property		(2,668)	(264,904)
Proceeds on disposal of investment property		14,764	13,814
Interest received		41	63
Net cash flows generated by/(used in) investing activities		<u>12,137</u>	<u>(251,027)</u>
Cash flows from financing activities			
Proceeds from loans		—	153,943
Repayments of loans		(8,226)	(7,530)
Derivatives purchased		(63)	—
Proceeds from issue of preference units		—	81,749
Loans to unitholders		(3,500)	—
Proceeds from issue of units		—	27,250
Distributions paid to unitholders		(8,526)	(8,789)
Net cash flows (used in)/generated by financing activities		<u>(20,315)</u>	<u>246,623</u>
Net decrease in cash and cash equivalents		(3,496)	3,453
Cash and cash equivalents at the beginning of the period		9,223	5,770
Cash and cash equivalents at the end of the period	12	<u><u>5,727</u></u>	<u><u>9,223</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK AUSTRALIAN
INDUSTRIAL PARTNERSHIP FOR THE SIX MONTHS ENDED JUNE 30, 2016**

**Notes to the consolidated financial statements
For the six months ended 30 June 2016**

1. General information

The consolidated financial statements of the Propertylink Australian Industrial Partnership (the “Trust”) and its subsidiaries (the “Group”) for the six months ended 30 June 2016 were authorised for issue by the Trustee, Propertylink Investment Management Limited, on 29 September 2016. The Trust is registered and domiciled in Australia. The registered office is Level 29, 20 Bond Street, Sydney NSW 2000. The Group commenced operations on 23 September 2013. The principal activity of the Group during the period was investment in industrial and commercial property within the geographical location of Australia.

Members of the consolidated group are all wholly owned subsidiary entities of the Trust, and full details of the subsidiary entities are disclosed in note 27.

2. Basis of preparation

These general purpose consolidated financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Accounting Standards Board and the *Corporations Act 2001* in Australia. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

As the Group was stapled to the Propertylink Group on 15 August 2016, these financial statements are prepared for a six month period so as to align reporting periods within the Propertylink Group, which has a 30 June year end. These financial statements are for a six month period and therefore, the prior year is not directly comparable. This is the first period that the Group has prepared financial statements as at 30 June as it previously had a 31 December year end. The comparative period was audited by another auditor who expressed an unmodified opinion.

The financial report has been prepared on an accrual basis and is based on historical costs except for investment properties, derivative financial instruments and property, plant and equipment that have been measured at fair value.

The Group is an entity of the kind referred to in *ASIC Corporations (Rounding in Financial/ Directors’ Reports) Instrument 2016/191*, issued by the Australian Securities and Investments Commission relating to the “rounding off” of amounts in the consolidated financial statements. Amounts in the consolidated financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

The consolidated financial statements are presented in Australian Dollars which is the Group’s functional and presentation currency.

The Group is a for-profit entity for the purpose of preparing the consolidated financial statements.

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK AUSTRALIAN
INDUSTRIAL PARTNERSHIP FOR THE SIX MONTHS ENDED JUNE 30, 2016**

**Notes to the consolidated financial statements
For the six months ended 30 June 2016**

2. Basis of preparation (continued)

The Trustee has determined that the Group's consolidated financial statements have been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

3. Reclassifications and disclosures

During the six months, the Group reclassified property constructed on underlying ground lease agreements. These assets are now classified as Property, Plant and Equipment and are subject to depreciation over the shorter of the lease term or the assets useful life. Prior to this reclassification, such property has been classified as Investment Property and not subject to depreciation. As a result, the Melbourne Markets property has been reclassified from Investment Property to Property, Plant and Equipment.

New and amended standards adopted by the Trust

Other than as noted above, the accounting policies adopted are consistent with those of the previous financial year. The Trust applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 July 2015. The Trust has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of the amendments that are of relevance to a real estate investor are disclosed below. Although these amendments applied for the first time in 2016, they did not impact the annual consolidated financial statements of the Group.

<u>Reference</u>	<u>Title</u>	<u>Application date of standard</u>	<u>Application date for Trust</u>
AASB 2013-9	<i>Amendments to Australian Accounting Standards— Conceptual Framework, Materiality and Financial Instruments</i>	1 Jan 2015	1 Jan 2015
	The Standard contains three main parts and makes amendments to a number of Standards and Interpretations.		
	Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1.		
	Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards.		

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK AUSTRALIAN
INDUSTRIAL PARTNERSHIP FOR THE SIX MONTHS ENDED JUNE 30, 2016**

**Notes to the consolidated financial statements
For the six months ended 30 June 2016**

3. Reclassifications and disclosures (continued)

	Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments.		
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 <i>Materiality</i>	1 Jul 2015	1 Jul 2015
	The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.		

Standards issued but not yet effective

The standards relevant to the Group that are issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are disclosed below. This list of standards and interpretations issued are those that the Group reasonably expects to have an impact on the Group's consolidated financial statements when applied at a future date. The Group intends to adopt these standards when they become effective.

AASB 15 *Revenue from Contracts with Customers*

AASB 15 provides a new five step model for recognising revenue earned from a contract with a customer and will replace the existing AASB 118 Revenue. It applies to all contracts with customers except leases, financial instruments and insurance contracts.

AASB 15 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group expects no significant impact of this standard on its consolidated financial statements.

AASB 9 *Financial Instruments*

AASB 9 introduces new requirements for the classification and measurement of financial assets. Under AASB 9 financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 also introduces additional disclosure relating to financial liabilities.

AASB 9 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group expects no significant impact of this standard on its balance sheet and equity.

AASB 16 *Leases*

AASB 16 Leases will require the Trust to recognise a lease asset, and corresponding lease liability, on the consolidated statement of financial position for operating leases for which it is the

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK AUSTRALIAN
INDUSTRIAL PARTNERSHIP FOR THE SIX MONTHS ENDED JUNE 30, 2016**

**Notes to the consolidated financial statements
For the six months ended 30 June 2016**

3. Reclassifications and disclosures (continued)

lessee from 1 July 2019. The Group is continuing to assess the impact of this standard, however it is not practical to quantify the impact on the consolidated financial statement at the application date, as any quantification would be subject to the leases existing at that date, which is not guaranteed to occur.

4. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements may require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

Other disclosures relating to the Group's exposure to risks and uncertainties include:

● Capital management	Note 23
● Financial risk management objectives and policies	Note 22
● Sensitivity analyses disclosures	Note 15, 22

Estimates and assumptions

The estimates and underlying assumptions are reviewed on an ongoing basis. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. The key estimates and assumptions are as follows:

Valuation of investment property and property, plant and equipment

The fair value of investment property is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 *Fair Value Measurement*. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in Note 15.

Valuation of derivatives

The fair value of derivatives is determined by the financial institution's experts using recognised valuation techniques and the principles of IFRS 13 *Fair Value Measurement*. Refer to Note 17.

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK AUSTRALIAN
INDUSTRIAL PARTNERSHIP FOR THE SIX MONTHS ENDED JUNE 30, 2016**

Notes to the consolidated financial statements

For the six months ended 30 June 2016

5. Summary of significant accounting policies

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Trust's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interest, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Property acquisitions and business combination

Where property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK AUSTRALIAN
INDUSTRIAL PARTNERSHIP FOR THE SIX MONTHS ENDED JUNE 30, 2016**

**Notes to the consolidated financial statements
For the six months ended 30 June 2016**

5. Summary of significant accounting policies (continued)

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity or assets and liabilities is allocated between the identifiable assets and liabilities (of the entity) based on their relative values at the acquisition date. Accordingly, no goodwill or deferred taxation arises.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Investment property

Investment property comprises completed property and property under construction or re-development (including integral plant and equipment) that is held to earn rentals or for capital appreciation or both.

Investment property is measured initially at cost, including transaction costs. The carrying amount also includes capital expenditure on investment property and components relating to lease incentives and assets relating to fixed increases in operating lease rentals in future periods.

Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

The Trustee has adopted the following depreciation policy for investment properties: the buildings and any component thereof (including plant and equipment) are not depreciated. Taxation allowances for the depreciation of buildings and plant and equipment are claimed by the Group and contribute to the tax deferred component of distributions.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

Investment property is derecognised either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK AUSTRALIAN
INDUSTRIAL PARTNERSHIP FOR THE SIX MONTHS ENDED JUNE 30, 2016**

**Notes to the consolidated financial statements
For the six months ended 30 June 2016**

5. Summary of significant accounting policies (continued)

Non-current assets held for sale

Investment property is transferred to non-current assets held for sale when it is expected that the carrying amount will be recovered principally through sale rather than from continuing use. For this to be the case, the property must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such property and its sale must be highly probable.

For the sale to be highly probable:

- The Trustee must be committed to a plan to sell the property and an active programme to locate a buyer and complete the plan must have been initiated
- The property must be actively marketed for sale at a price that is reasonable in relation to its current fair value, and
- The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification

On re-classification as held for sale, investment properties that are measured at fair value continue to be so measured. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

Property, plant and equipment

Property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property

Leasehold land and buildings are carried at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic valuations by external independent valuers, less accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Depreciation

The depreciable amount is depreciated on a straight line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK AUSTRALIAN
INDUSTRIAL PARTNERSHIP FOR THE SIX MONTHS ENDED JUNE 30, 2016**

**Notes to the consolidated financial statements
For the six months ended 30 June 2016**

5. Summary of significant accounting policies (continued)

are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

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

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Trade and other receivables

Trade and other receivables are recognised at their original invoiced value except where the time value of money is material, in which case receivables are recognised at fair value and subsequently measured at amortised cost. A provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, based on invoices billed to the Group. The amounts are unsecured and are usually paid within 30 or 60 days or recognition.

Distribution payable is recognised for the amount of distribution declared by the Trustee on or before the end of financial period but not distributed at balance date.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

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5. Summary of significant accounting policies (continued)

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in the arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. Leases that do not transfer substantially all the risks and rewards of ownership of an asset to the Group are classified as operating leases. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor, it has pricing latitude and is also exposed to credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

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5. Summary of significant accounting policies (continued)

Rental income

The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. The portion of rental income relating to fixed increases in operating lease rentals in future periods is capitalised and recognised as a separate component of the investment property.

Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Trustee is reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the consolidated statement of profit or loss when the right to receive them arises.

Service charges, management charges and other outgoings recoverable from tenants

Income arising from expenses recharged to tenants is recognised in the period in which the compensation becomes receivable. Service and management charges and other such receipts are included in property rental income gross of the related costs, as the trustee considers that the Group acts as principal in this respect.

Interest income

Interest income is recognised as it accrues using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in the consolidated statement of profit or loss.

Dividends and distributions

Dividends and distributions are recognised as income when the right to receive payment is established.

Income tax

Under current Australian income tax legislation, the Group is not liable to pay income tax provided unitholders are presently entitled to all the distributable income of the Group each year. The

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5. Summary of significant accounting policies (continued)

liability for capital gains tax that may arise if the units were sold is not accounted for in these consolidated financial statements.

Lease incentives

Prospective lessees may be offered incentives as an inducement to enter into non-cancellable operating leases. These incentives may take various forms including rent-free months, upfront cash payments, or a contribution to certain lessee costs such as a fitout contribution. Incentives are accounted for on a straight-line basis over the lease term and included in rental income in the statement of profit or loss.

Financial instruments—initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

The Group's financial assets comprise Trade and other receivables and the subsequent measurement is outlined below:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are

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5. Summary of significant accounting policies (continued)

subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the consolidated statement of profit or loss. The losses arising from impairment are recognised in the consolidated statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

(b) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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5. Summary of significant accounting policies (continued)

(c) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Trust's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification and is as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Trust that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Trust has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well as through the EIR amortisation process.

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5. Summary of significant accounting policies (continued)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the consolidated statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information refer Note 18.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement or profit or loss.

(d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(e) Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its risks associated with interest rates. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value with the resulting gain or loss recognised in profit or loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The Group has not applied hedge accounting to its derivative financial instruments.

The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to transfer the swap at reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

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5. Summary of significant accounting policies (continued)

Fair value measurements

The Group measures derivatives and investment properties at fair value at each reporting date. Fair value related disclosures for items measured at fair value or where fair values are disclosed, are summarised in the following notes:

● Accounting policy disclosures	Note 5
● Disclosures for valuation methods, significant estimates and assumptions	Notes 4, 5, 14, 15, 22
● Investment properties	Note 15
● Derivatives and other financial instruments (including those carried at amortised cost)	Note 17, 22

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The Group must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities, for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy (described as follows), based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1—Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2—Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

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5. Summary of significant accounting policies (continued)

- Level 3—Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Issued capital

Units on issue are recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of units are recognised directly in equity as a reduction of the proceeds of units to which the costs relate.

Unitholder Funds

In accordance with the Trust Deed, the trustee determines the amount attributable to unitholders. Distributable income is calculated in accordance with the Trust Deed.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST. Cash flows are included in the consolidated statement of cash flows on a gross basis.

6. Revenue

	1 Jan 2016 to 30 Jun 2016	1 Jan 2015 to 31 Dec 2015
	\$'000	\$'000
Rental income (excluding straight-lining)	27,392	42,733
Straight-lining of lease incentives	127	1,064
Outgoings recovery income	4,618	6,854
<i>Total property rental income</i>	<u>32,137</u>	<u>50,651</u>
Sundry income	43	212
Make good recovery	38	333
<i>Total other income</i>	<u>81</u>	<u>545</u>
Total revenue	<u>32,218</u>	<u>51,196</u>

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7. Operating leases

Group as lessor

The Group has entered into leases on its property portfolio. The industrial property leases typically have lease terms between 5 and 10 years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2016 and 31 December 2015 are as follows:

	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Within 1 year	50,810	50,940
After 1 year, but not more than 5 years	125,714	132,145
More than 5 years	40,529	58,600
	<u>217,053</u>	<u>241,685</u>

Group as lessee

The Group makes ground lease payments for certain industrial properties classified as Property, Plant and Equipment under non-cancellable operating leases expiring in 39 years. The leases have fixed escalation clauses. Commitments for minimum lease payments in relation to non-cancellable lease are as follows:

	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Within 1 year	570	570
After 1 year, but not more than 5 years	3,414	3,414
More than 5 years	104,179	104,179
	<u>108,163</u>	<u>108,163</u>

8. Expenses

	<u>1 Jan 2016 to 30 Jun 2016</u>	<u>1 Jan 2015 to 31 Dec 2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Repairs, maintenance and utilities	2,004	2,921
Property insurance costs	409	680
Statutory expenses	2,646	3,927
Property management expenses	1,126	1,753
Strata levies	29	67
Leasing costs	798	1,056
Ground lease	283	2,444
Other	607	909
Total property expenses	<u>7,902</u>	<u>13,757</u>

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9. Finance cost

	1 Jan 2016 to 30 Jun 2016	1 Jan 2015 to 31 Dec 2015
	\$'000	\$'000
Interest on bank loans	6,342	11,181
Borrowing costs	417	628
Interest on preference units	9,937	16,052
Realised losses on interest rate swaps	422	794
Total finance costs	<u>17,118</u>	<u>28,655</u>

10. Segment information

The Group operates in one reportable segment: Australian industrial and logistics property investment—acquires, develops and leases industrial and logistics property within the geographical location of Australia. The Group has determined its one operating segment based on the internal information that is provided to the chief operating decision maker and which is used to make strategic decisions. The Trustee has been identified as the Group's chief operating decision maker.

11. Earnings per unit (EPU)

Basic and diluted EPU amounts are calculated by dividing the profit for the year attributable to ordinary equity holders by weighted average number of units.

	1 Jan 2016 to 30 Jun 2016	1 Jan 2015 to 31 Dec 2015
	\$'000	\$'000
Basic and diluted earnings per Unit (EPU)		
Net profit for the period	69,361	16,635
Weighted average number of units	66,431,204	53,581,921
Basic and diluted EPU (cents)	<u>104</u>	<u>31</u>

12. Cash and cash equivalents

	30 Jun 2016	31 Dec 2015
	\$'000	\$'000
Cash at bank	5,727	9,223
Total cash and cash equivalents	<u>5,727</u>	<u>9,223</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

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13. Trade and other receivables

	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Rent and outgoings receivable	926	814
Provision for doubtful debts	(4)	(56)
Property deposits & due diligence cost	157	157
Total trade and other receivables	<u>1,079</u>	<u>915</u>

Refer to Note 22 for details on fair value measurement and the Group's exposure to risks associated with financial assets.

14. Property, plant and equipment

	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Opening net book value	—	
Property reclassified from Investment Property to Property, Plant & Equipment	81,301	—
Capital expenditure on owned property	17	—
Capitalised straight-lining of fixed increases in operating leases inclusive of lease incentives	256	—
Depreciation charge	(1,013)	—
Revaluation adjustment	11,439	—
Closing net book value	<u>92,000</u>	<u>—</u>

Melbourne Markets property has been valued by Savills, an independent valuer, at 30 June 2016 at \$92m.

15. Investment property

	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Industrial and commercial property		
At the beginning of period	618,856	353,621
Property acquisitions/(disposal)	(13,898)	249,382
Less: classified as property, plant & equipment	(81,301)	—
Less: classified as held for sale	(9,300)	—
Capital expenditure on owned property	2,459	4,745
Capitalised straight-lining of fixed increases in operating leases inclusive of lease incentives	1,163	594
Gain/(loss) on fair value	65,673	10,514
Investment properties at the end of period	<u>583,650</u>	<u>618,856</u>

The carrying amount of investment property includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to \$1,757,171 (2015: \$594,311)

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15. Investment property (continued)

The investment properties have been valued by Jones Lang LaSalle and Savills, independent valuers, at 30 June 2016 at \$592,950,000 including investment property classified as held for sale.

Fair value measurement—Investment property, investment property held for sale and property classified as property, plant and equipment

The management group that determines the Group's valuation policies and procedures for property valuations comprises the head of property and fund manager. Each year, the head of property and the fund manager appoint, after approval from the audit committee, an external valuer who is responsible for the external valuations of the Group's property. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

Each property is considered a separate asset class based on its unique nature, characteristics and risk. Each property is valued by an external valuer at least once in any 24-month period from the date of the last valuation. In addition, the Trustee reviews the fair value of the properties at each six-monthly financial reporting date. If the Trustee believes that the fair value of a property is materially different from its current carrying amount, this property is valued by an external valuer within two months after the Trustee forms such opinion.

Highest and best use

For all investment property that is measured at fair value, the current use of the property is considered the highest and best use.

Fair value hierarchy

The fair values of investment property recognised in the consolidated statement of financial position are Level 3 of the fair value measurement hierarchy (as disclosed in Note 5).

Valuation techniques used to derive fair values

The fair value is measured using capitalisation of net market income and discounted cash flow (DCF) approaches.

Capitalisation approach

The capitalisation approach involves the addition of expected rent for the various components of the property and the deduction of outgoings and other expenses (where appropriate) in order to determine the net income of the property. This net market income is capitalised at the adopted capitalisation rate to derive a core value. The higher/lower the capitalisation rate is adopted, the lower/higher the valuation of a property.

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15. Investment property (continued)

Discounted cash flows (DCF) approach

The DCF approach involves discounting future net operating cash flows over a 10 year investment horizon at the adopted discount rate to derive a net present value for the property. The higher/lower the discount rate is adopted, the lower/higher the valuation of a property.

The Group's investment property including investment property classified as held for sale and property classified as Property, Plant and Equipment have been valued with the following key unobservable inputs adopted:

<u>Fair Value</u>		<u>Valuation technique</u>	<u>Key unobservable inputs</u>	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
<u>30 Jun 2016</u>	<u>31 Dec 2015</u>				
<u>\$'000</u>	<u>\$'000</u>				
684,950	618,856	Cap Approach	Capitalisation rate	6.5% - 11.5% (avg 7.76%)	7% - 10.75% (avg 8.43%)
		DCF Approach	Discount rate	8% - 11.5% (avg 8.78%)	8.5% - 10.75% (avg 9.28%)

The table below highlights the sensitivity analysis of a 25 basis point change in capitalisation rate on the fair value of investment property:

		<u>- 25 basis points</u>	<u>+ 25 basis points</u>
		<u>\$'000</u>	<u>\$'000</u>
Fair value of investment property, PP&E and property	30 Jun 2016	24,188	(22,733)
held for sale	31 Dec 2015	17,226	(16,210)

16. Trade and other payables

	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Trade payables	2,373	1,833
Accruals	4,439	3,758
Other payables	1,063	940
Rental bonds	1,045	935
Total trade and other payables	<u>8,920</u>	<u>7,466</u>

Trade payables are non-interest bearing and are normally settled on 30 to 60 days terms. Refer to Note 21 for amounts payable to related parties.

17. Derivative financial instruments

At 30 June 2016, the Group had interest rate swap agreements in place with a notional amount of \$120m (2015: \$120m) whereby the Group receives a variable rate and pays a fixed rate of interest of

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17. Derivative financial instruments (continued)

between 2.93% and 3.21%. In addition, at 30 June 2016, the Group had interest rate cap agreements with notional amount of \$52m (2015: Nil) whereby the Group receives a variable rate and pays a fixed rate of interest of 3% for each period the variable interest rate exceeds the fixed rate. The interest rate swaps and caps are being used to manage the Group's interest rate risk exposure to changes in the cash flow of its secured bank loan, but they are not formally designated as cash flow hedges.

The aggregate fair value of the interest rate swaps and interest rate caps at the end of the reporting period was a liability of \$1,278,180 (2015: \$118,794).

The interest rate swaps and caps are classified in Level 2 of the fair value measurement hierarchy.

18. Interest-bearing loans and borrowings

	<u>Maturity</u>	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
		<u>\$'000</u>	<u>\$'000</u>
Non-current			
Westpac loan facility, fully drawn	1-Jul-18	337,663	345,475
Preference units		<u>199,294</u>	<u>199,294</u>
Total interest-bearing loans and borrowings		<u>536,957</u>	<u>544,769</u>

Senior debt funding is being provided by Westpac by way of a fully drawn commercial bill facility. The facility is subject to a margin of 1.5% over 90-day BBSY rate (excluding the effect of related interest rate swaps) and establishment costs of \$2,765,909 which are being amortised over the facility period. The bill is secured against the Group's investment properties. Subsequent to the reporting date, the Westpac facility was renegotiated (refer to Note 25).

The Group has been in compliance with all debt covenants during the period.

Preference units are unsecured and subject to 10% interest rate. Subsequent to the reporting date, the preference units were converted to ordinary shares (refer to Note 25).

Refer to Note 22 for details on the Group's exposure to risks associated with financial liabilities.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
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**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK AUSTRALIAN
INDUSTRIAL PARTNERSHIP FOR THE SIX MONTHS ENDED JUNE 30, 2016**

**Notes to the consolidated financial statements
For the six months ended 30 June 2016**

19. Issued capital

	<u>Number of units</u>	<u>30 Jun 2016 \$'000</u>	<u>31 Dec 2015 \$'000</u>
Balance at the beginning of period	39,180,538	66,431	39,181
Units issued 23 January 2015	5,791,592		5,792
Units issued 11 June 2015	1,345,412		1,345
Units issued 26 June 2015	10,770,576		10,771
Units issued 16 September 2015	6,259,860		6,260
Units issued 29 September 2015	3,082,276		3,082
Ordinary units at the end of period	<u>66,430,254</u>	<u>66,431</u>	<u>66,431</u>

As stipulated in the Trust Deed each unit represents a right to an individual share in the Trust and does not extend to a right in the underlying assets of the Trust.

Subsequent to the reporting date, the units in the Trust were stapled to Propertylink securities to form the Propertylink Group (refer to Note 25).

20. Reconciliation of profit for the period to net cash flows from operating activities

	<u>1 Jan 2016 to 30 Jun 2016 \$'000</u>	<u>1 Jan 2015 to 31 Dec 2015 \$'000</u>
Profit for the period	69,361	16,635
<i>Adjustments to reconcile profit before tax to net cash flows</i>		
Valuation (gains) on investment property	(65,673)	(10,515)
Net (gain) on disposal of investment property	(677)	(246)
Interest income	(40)	(63)
Amortisation of borrowing costs	414	—
Depreciation	1,013	—
Straight-lining rental income adjustments	(1,419)	(594)
Net loss on fair value of derivative financial instruments	1,223	—
	<u>(65,159)</u>	<u>(11,418)</u>
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in rent and outgoings receivable	(163)	(466)
(Increase)/decrease in prepayments	(853)	(513)
Increase in trade and other payables	1,454	2,828
Increase/(decrease) in rent received in advance	42	564
Increase in rental bonds	—	227
	<u>480</u>	<u>2,640</u>
Net cash flows from operating activities	<u>4,682</u>	<u>7,857</u>

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
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INDUSTRIAL PARTNERSHIP FOR THE SIX MONTHS ENDED JUNE 30, 2016**

**Notes to the consolidated financial statements
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21. Related party disclosures

The following table provides the total amount of transactions and outstanding balances that have been entered into with related parties for the half-year ended 30 June 2016.

	<u>1 Jan 2016 to 30 Jun 2016</u>	<u>1 Jan 2015 to 31 Dec 2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Purchase of goods and services		
<i>Propertylink (Australasia) Pty Ltd</i>		
Property management services	795	1,260
Asset management fees	1,535	2,654
Leasing fees	316	209
Sales commission	59	—
Project management fees	37	—
	<u>2,742</u>	<u>4,123</u>
	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
Amounts owed by related parties		
<i>Propertylink Group</i>	<u>3,500</u>	<u>—</u>
Amounts owed to related parties*		
<i>Propertylink (Australasia) Pty Ltd</i>	<u>1,136</u>	<u>912</u>

* The amounts are included in trade and other payables

Terms and conditions of transactions with related parties

Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.

Transactions with Propertylink (Australasia) Pty Ltd are in respect of management and trust administration services provided to the Group, pursuant to an investment management services agreement and property management services agreement.

There have been no guarantees provided or received for any related party receivables or payables.

22. Financial risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, are loans and borrowings. The main purpose of the Group's loans and borrowings is to finance the acquisition and development of the Group's property portfolio. The Group has rent and other receivables, trade and other payables and cash and short-term deposits that arise directly from its operations.

The Group is exposed to market risk (including interest rate risk and real estate risk), credit risk and liquidity risk. The Trustee oversees the management of these risks. The Trustee is supported by a

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK AUSTRALIAN
INDUSTRIAL PARTNERSHIP FOR THE SIX MONTHS ENDED JUNE 30, 2016**

**Notes to the consolidated financial statements
For the six months ended 30 June 2016**

22. Financial risk management objectives and policies (continued)

financial committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The finance committee provides assurance to the Trustee that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Trustee reviews and agrees policies for managing each of these risks which are summarised below.

Market risk

Market risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of changes in market prices. The financial instruments held by the Group that are affected by market risk are principally the derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 30 June 2016 and 31 December 2015.

The sensitivity analysis has been prepared on the basis that the amount of net debt and the ratio of fixed to floating interest rates of the debt and derivatives are all constant and on the basis of the derivatives held at 30 June 2016.

The following assumptions have been made in calculating the sensitivity analysis:

- The sensitivity of the relevant consolidated statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 30 June 2016 and 31 December 2015.

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates.

To manage its interest rate risk, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. The Group also enters into interest rate caps agreements, in which it receives a variable rate and pays a fixed rate of interest for each period the variable interest rate exceeds the fixed rate. These swaps and caps are designated to hedge underlying debt obligations. At 30 June 2016, after taking into account the effect of interest rate swaps, 51% of the Group's borrowings are hedged (31 December 2015: 50%).

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK AUSTRALIAN
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**Notes to the consolidated financial statements
For the six months ended 30 June 2016**

22. Financial risk management objectives and policies (continued)

The analysis below describes reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit before tax and equity. It should be noted that the impact of movement in the variable is not necessarily linear.

- The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on finance income less finance expense for one year, based on the floating rate financial liabilities held at the reporting date, including the effect of hedging instruments.
- The sensitivity of equity is calculated by revaluing interest rate swaps designated as cash flow hedges, for the effects of the assumed changes in interest rates. As the Group did not designate any of its interest rate swaps as cash flow hedges, there is no impact on equity.

	<u>Increase/(decrease) in basis points</u>	<u>Effect on profit before tax</u>	
		<u>1 Jan 2016 to 30 Jun 2016</u>	<u>1 Jan 2015 to 31 Dec 2015</u>
		<u>\$'000</u>	<u>\$'000</u>
90-day BBSY interest rate	+50	184	21
	-50	(186)	(27)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Trust is exposed to credit risks from both its leasing activities and financing activities, including deposits with banks and financial institutions and derivatives.

Tenant receivables

Tenants are assessed according to certain criteria prior to entering into lease arrangements. Credit risk is managed by requiring tenants to pay rentals in advance. The credit quality of the tenant is assessed based on an extensive credit rating scorecard at the time of entering into a lease agreement. Outstanding tenants' receivables are regularly monitored. An impairment analysis is performed at each reporting date on an individual basis for major tenants. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's policy. Investments of surplus funds are made with financial institutions that maintain a high credit rating or in entities that the finance committee has otherwise assessed as being financially sound. The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at 30 June 2016 and 31 December 2015 is the carrying amounts of each class of financial instruments.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
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**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK AUSTRALIAN
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Notes to the consolidated financial statements

For the six months ended 30 June 2016

22. Financial risk management objectives and policies (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (including interest payments):

	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 Jun 2016					
Interest-bearing loans and borrowings	2,911	8,626	351,292	—	362,829
Preference units	—	—	—	199,294	199,294
Trade and other payables	13,605	—	—	—	13,605
Derivative financial instruments	316	962	—	—	1,278
	<u>16,832</u>	<u>9,588</u>	<u>351,292</u>	<u>199,294</u>	<u>577,006</u>
As at 31 Dec 2015					
Interest-bearing loans and borrowings	3,305	11,064	356,064	—	370,433
Preference units	—	—	—	199,294	199,294
Trade and other payables	11,174	—	—	—	11,174
Derivative financial instruments	119	—	—	—	119
	<u>14,598</u>	<u>11,064</u>	<u>356,064</u>	<u>199,294</u>	<u>581,020</u>

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has sufficient funds to pay all its debt maturing within 12 months.

Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial assets and liabilities that are carried in the consolidated financial statements:

	Fair value measurement hierarchy	Carrying amount		Fair value	
		30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
		\$'000	\$'000	\$'000	\$'000
Financial assets					
Trade and other receivables		1,079	915	1,079	915
Cash and cash equivalents		<u>5,727</u>	<u>9,223</u>	<u>5,727</u>	<u>9,223</u>
Financial liabilities					
Interest-bearing loans	Level 2	337,663	345,475	337,663	345,475
Preference units	Level 3	199,294	199,294	199,294	199,294
Unearned income	Level 2	1,371	1,330	1,371	1,330
Derivative financial instruments	Level 2	1,278	119	1,278	119
Trade and other payables		<u>13,605</u>	<u>11,174</u>	<u>13,605</u>	<u>11,174</u>

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK AUSTRALIAN
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**Notes to the consolidated financial statements
For the six months ended 30 June 2016**

22. Financial risk management objectives and policies (continued)

Management has assessed that the fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and liabilities is included at the amount of which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Receivables are evaluated by the Group based on parameters such as interest rates, individual creditworthiness of the customer, and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 30 June 2016, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- The valuation techniques applied to fair value of derivatives employ the use of market observable inputs and include swap models which use present value calculations. The model incorporates various inputs including the credit quality of counterparties and forward rates.
- Fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method using a discount rate that reflects the issuer's borrowing rate including its own non-performance risk as at 30 June 2016. As at 30 June 2016, the carrying amounts of such interest-bearing loans were not materially different from their calculated fair values.

23. Capital management

The primary objective of the Group's capital management is to ensure that it remains within its quantitative banking covenants and maintains a strong credit rating. No changes were made in the objectives, policies or processes during the half-year ending 30 June 2016.

The Group monitors capital primarily using a loan-to-value ratio (LVR), which is calculated as the amount of outstanding debt divided by the valuation of the investment property portfolio. The Group's policy is to keep its average LVR below 65%.

24. Commitments and contingencies

Commitments

As at 30 June 2016, the Trust had agreed contracts with third parties and is consequently committed to future capital expenditure in respect of investment property of \$600,000 (31 December 2015: \$164,000).

Contingencies

The Trust has no contingent assets or contingent liabilities in 2016 and 2015.

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**Notes to the consolidated financial statements
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25. Events occurring after reporting date

Security holders are advised of the following matters which occurred after balance date:

- In May 2016 the PAIP investment partners agreed to work towards an Initial Public Offering (IPO) involving the stapling of PAIP units to Propertylink securities to form the Propertylink Group. The PAIP partners and Propertylink continued to pursue this outcome post year end, and on 15 August 2016 the IPO was completed. For further details please refer to the Prospectus and Product Disclosure Statement (PDS), and to the Supplementary Prospectus and Product Disclosure Statement (Supplementary PDS), which may be found on the Propertylink Group web site.
- On 15 August 2016 all 199,293,612 preference units on issue were converted to ordinary units as part of the IPO restructure.
- As a result of the completion of the IPO, all debt finance as disclosed in note 18 was fully repaid. At IPO completion the Propertylink Group listed entity drew down on a new senior debt facility with Westpac Banking Corporation (for further details please refer to the PDS).
- Again as a result of the stapling of PAIP to Propertylink on 15 August 2016, PAIP became liable to an investment management performance fee of \$25.2m payable to the Propertylink Group. This fee was incurred immediately prior to the IPO and was paid as part of the IPO restructure and was not accrued in the 30 June 2016 financial report.
- In July 2016 the Group entered in to a contract to sell 36 National Boulevard, Campbellfield for a price of \$9.6m. The contract is due to be settled on 28 September 2016.

Other than these matters the directors of the Trustee are not aware of any matter or circumstance not otherwise dealt with in this report or the financial statements that has significantly affected or may significantly affect the operations of the Trust, the results of those operations or the state of affairs of the Trust in the financial year subsequent to the period ended 30 June 2016.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK AUSTRALIAN
INDUSTRIAL PARTNERSHIP FOR THE SIX MONTHS ENDED JUNE 30, 2016**

**Notes to the consolidated financial statements
For the six months ended 30 June 2016**

26. Auditors remuneration

During the period, the following fees were paid or payable for services provided by the auditors.

	1 Jan 2016 to 30 Jun 2016	1 Jan 2015 to 31 Dec 2015
	\$'000	\$'000
<i>KPMG</i>		
Audit and review of financial reports	80	—
<i>PricewaterhouseCoopers</i>		
Audit and review of financial reports	76	45
Total remuneration for audit services	<u>156</u>	<u>45</u>

27. Interests in subsidiaries

The subsidiaries listed below have issued capital consisting solely of units, which are held directly by the Trust. The proportion of ownership interest held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation or registration.

	<u>Country of registration</u>	<u>2016 (%)</u>	<u>2015 (%)</u>
Parent Entity:			
Propertylink Australian Industrial Partnership			
Controlled entities of Propertylink Australian Industrial Partnership			
PHL Hold Trust	Australia	100%	100%
PHL Hold Trust 2	Australia	100%	100%
PHL NW Trust	Australia	100%	100%
PHL V Trust	Australia	100%	100%
PHL Q Trust	Australia	100%	100%
PHL DX Trust	Australia	100%	100%
PHL MM Trust	Australia	100%	100%
PHL N Pike Street Trust	Australia	100%	—
PAIP N Airs Road Trust	Australia	100%	—
PAIP N Beaumont Road Trust No 2	Australia	100%	—
PAIP N Beaumont Road Trust No 3	Australia	100%	—
PAIP N Beaumont Road Trust No 11	Australia	100%	—
PAIP N Beaumont Road Trust No 12	Australia	100%	—
PAIP N Beaumont Road Trust No 15	Australia	100%	—
PAIP N Boundary Road Trust	Australia	100%	—
PAIP N Brunker Road Trust	Australia	100%	—
PAIP N Gundah Road Trust	Australia	100%	—
PAIP N Mandarin Street Trust	Australia	100%	—
PAIP N McCredie Road Trust	Australia	100%	—
PAIP N Newton Road Trust No 1	Australia	100%	—
PAIP N Newtown Road Trust No 2	Australia	100%	—

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
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**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK AUSTRALIAN
INDUSTRIAL PARTNERSHIP FOR THE SIX MONTHS ENDED JUNE 30, 2016**

Notes to the consolidated financial statements

For the six months ended 30 June 2016

27. Interests in subsidiaries (continued)

	<u>Country of registration</u>	<u>2016 (%)</u>	<u>2015 (%)</u>
PAIP N Niagara Close Trust	Australia	100%	—
PAIP N Orierton Road Trust	Australia	100%	—
PAIP N Pike Street Trust No 2	Australia	100%	—
PAIP N Rodborough Road Trust No 1	Australia	100%	—
PAIP N Rodborough Road Trust No 2	Australia	100%	—
PAIP N Sylvania Way Trust	Australia	100%	—
PAIP V Cherry Lane Trust	Australia	100%	—
PAIP V Lakes Drive Trust	Australia	100%	—
PAIP V Main Road Trust	Australia	100%	—
PAIP V Mt Derrimut Road Trust	Australia	100%	—
PAIP V National Boulevard Trust	Australia	100%	—
PAIP V Ricketts Road Trust	Australia	100%	—
PAIP V Strezlecki Avenue Trust	Australia	100%	—
PAIP V Taryn Drive Trust	Australia	100%	—
PAIP V Whiteside Road Trust	Australia	100%	—
PAIP V Woodlands Drive Trust	Australia	100%	—
PAIP WA Leadership Way Trust	Australia	100%	—
PAIP WA McDowell Street Trust	Australia	100%	—
PAIP WA Modal Crescent Trust	Australia	100%	—

28. Information relating to Propertylink Australian Industrial Partnership (the Parent)

	<u>30 Jun 2016</u>	<u>31 Dec 2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Current assets	184,711	203,332
Total assets	<u>244,711</u>	<u>263,332</u>
Current liabilities	7,722	4,996
Total liabilities	<u>207,015</u>	<u>204,290</u>
Issued capital	66,431	66,431
Retained earnings	<u>(28,736)</u>	<u>(7,389)</u>
	<u>1 Jan 2016</u>	<u>1 Jan 2015</u>
	<u>to 30 Jun</u>	<u>to 31 Dec</u>
	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Profit or loss of the Parent entity	<u>(11,884)</u>	10,110
Total comprehensive income of the Parent entity	<u>(11,884)</u>	<u>10,110</u>

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK AUSTRALIAN
INDUSTRIAL PARTNERSHIP FOR THE SIX MONTHS ENDED JUNE 30, 2016**

Trustee's declaration to unitholders

The financial report has been prepared in accordance with Australian Accounting Standards and mandatory professional reporting requirements to the extent described in Note 2.

In the director's opinion:

- (a) the consolidated financial statements and notes of the Trust as set out on pages 7 to 37 (Note):
 - (i) comply with Accounting standards and other mandatory professional reporting requirements to the extent described in Note 2; and
 - (ii) present fairly, the Trust's financial position as at 30 June 2016 and of its performance for the year ended 30 June 2016; and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The consolidated financial statements and notes set out on pages 7 to 37 (Note) have been approved and adopted.

The Trustee is solely responsible for the information contained in the report and have determined that the accounting policies used are appropriate for internal purposes. This declaration is made in accordance with a resolution of the Trustee, Propertylink Investment Management Limited.



Peter Lancken
Director



Stuart Dawes
Director

Sydney
29 September 2016

Note:

Page references above refer to the original audited accounts. The equivalent pages in this appendix are II-A-49 to II-A-83.

THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK AUSTRALIAN
INDUSTRIAL PARTNERSHIP FOR THE SIX MONTHS ENDED JUNE 30, 2016



**Independent auditor's report to the unitholders of Propertylink Australian
Industrial Partnership**

Report on the financial report

We have audited the accompanying financial report of Propertylink Australian Industrial Partnership (the Trust), which comprises the consolidated statement of financial position as at 30 June 2016, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six month period ended on that date, notes 1 to 28 comprising a summary of significant accounting policies and other explanatory information and the Trustee's declaration of the Group comprising the Trust and the entities it controlled at the period's end or from time to time during the period.

Directors' responsibility for the financial report

The directors of Propertylink Investment Management Limited (the Trustee) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK AUSTRALIAN
INDUSTRIAL PARTNERSHIP FOR THE SIX MONTHS ENDED JUNE 30, 2016



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Propertylink Australian Industrial Partnership is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the period ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 2.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that appears to read 'S. Gatt'.

Steven Gatt
Partner

Sydney

29 September 2016

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2017**

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2017**

	Note	30-Jun-2017 \$'000	30-Jun-2016 \$'000
Revenue			
Property revenue	2(b)	57,387	505
Management fee revenue	2(c)	37,154	10,757
Share of net profit of joint ventures	11(b)	8,536	9,352
Other income			
Gain on disposal of investment property		5,689	—
Net fair value gain on investment property	8(a)	27,834	602
Other income/(expenses)		379	524
Total revenue and other income		136,979	21,740
Expenses			
Initial public offering cost	15(d)	(16,879)	—
Property expenses	3	(15,980)	(27)
Employment and management costs		(10,401)	(7,239)
Finance costs	4	(9,983)	(1,436)
Occupancy costs		(745)	(795)
Travel expenses		(625)	(586)
Legal and consultancy fees		(746)	(1,524)
Depreciation and amortisation expense		(145)	(200)
Administration and other expenses		(2,289)	(1,322)
Total expenses		(57,793)	(13,129)
Profit before income tax		79,186	8,611
Tax expense	5(b)	(2,100)	(281)
Profit after income tax		77,086	8,330
Other comprehensive income:			
Changes in the fair value of cash flow hedges	16	644	—
Revaluation gains on property, plant and equipment	9(a)	9,483	—
Total comprehensive income		87,213	8,330

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2017**

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2017**

	Note	<u>30-Jun-2017</u> \$'000	<u>30-Jun-2016¹</u> \$'000
Profit after income tax attributable to:			
Shareholders of the parent entity ¹		(15,432)	1,243
Unitholders of other stapled entities (non-controlling interests) ¹		<u>92,518</u>	<u>7,087</u>
		<u>77,086</u>	<u>8,330</u>
Total comprehensive income attributable to:			
Shareholders of the parent entity ¹		(15,432)	1,243
Unitholders of other stapled entities (non-controlling interests) ¹		<u>102,645</u>	<u>7,087</u>
		<u>87,213</u>	<u>8,330</u>
		<u>Cents</u>	<u>Cents</u>
Earnings per share on profit/(loss) attributable to shareholders of the parent entity			
Basic earnings/(loss) per share	6	(2.90)	4.45
Diluted earnings/(loss) per share	6	(2.90)	3.78
Earnings per stapled security on profit/(loss) attributable to stapled securityholders			
Basic earnings per security	6	14.48	29.84
Diluted earnings per security	6	14.48	25.32

1 Profit after income tax and total comprehensive income of \$8,330,000 in 2016 has been restated to separately disclose the amounts attributable to shareholders of the parent entity and unitholders of other stapled entities.

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2017**

**Consolidated Statement of Financial Position
As at 30 June 2017**

	Note	30-Jun-2017 \$'000	30-Jun-2016 ¹ \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	17(a)	20,002	3,959
Trade and other receivables	17(b)	4,472	4,008
Prepayments		1,709	162
Investment properties held for sale	10	31,550	—
TOTAL CURRENT ASSETS		57,733	8,129
NON-CURRENT ASSETS			
Equity accounted investments	11(b)	63,345	39,414
Investment properties	8(a)	572,756	6,471
Property, plant and equipment	9(a)	98,054	561
Derivative financial instruments	12(c)	644	—
Deferred tax assets	5(c)	5,222	787
Intangible assets	18	4,566	4,566
TOTAL NON-CURRENT ASSETS		744,587	51,799
TOTAL ASSETS		802,320	59,928
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17(c)	11,207	10,166
Borrowings	13	—	22,802
Current tax liabilities		3,793	411
Employee benefits		466	356
TOTAL CURRENT LIABILITIES		15,466	33,735
NON-CURRENT LIABILITIES			
Employee benefits		283	198
Borrowings	13	255,926	—
TOTAL NON-CURRENT LIABILITIES		256,209	198
TOTAL LIABILITIES		271,675	33,933
NET ASSETS		530,645	25,995
EQUITY			
Equity attributable to shareholders of the parent entity			
Issued capital	15(a)	5,364	40,598
Reserves	16	(25,110)	(20,556)
Retained earnings/(accumulated losses) ¹		(26,927)	(1,828)
Parent entity shareholders' interest		(46,673)	18,214
Equity attributable to unitholders of other stapled entities			
Issued capital	15(b)	525,206	—
Reserves	16	(9,406)	—
Retained earnings/(accumulated losses) ¹		61,518	7,781
Other stapled unitholders' interest		577,318	7,781
TOTAL EQUITY		530,645	25,995

1 Retained earnings of \$7,781,000 has been restated from the previously disclosed retained earnings of \$5,953,000 to separately disclose the retained earnings attributable to unitholders of other stapled entities.

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR ENDED JUNE 30, 2017

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

	Note	Attributable to shareholders of the parent entity				Attributable to unitholders of other stapled entities ¹			
		Contributed equity	Reserves	Retained earnings (accumulated losses)	Total	Contributed equity	Reserves	Retained earnings (accumulated losses)	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2015		27,256	—	(3,071)	24,185	—	—	694	694
Comprehensive income for the year		—	—	1,243	1,243	—	—	7,087	7,087
Shares issued during the year	15	13,882	—	—	13,882	—	—	—	—
Share issue costs		(540)	—	—	(540)	—	—	—	—
Equity restructure	16(a)	—	(20,556)	—	(20,556)	—	—	—	(20,556)
Balance at 30 June 2016		40,598	(20,556)	(1,828)	18,214	—	—	7,781	25,995
Balance at 1 July 2016		40,598	(20,556)	(1,828)	18,214	—	—	7,781	25,995
Comprehensive income for the year		—	—	(15,432)	(15,432)	—	10,127	92,518	102,645
Capital reallocation	15	(35,234)	—	—	(35,234)	35,234	—	—	35,234
Securities issued during the year	15(b)	—	—	—	—	497,292	—	—	497,292
Share issue costs	15(b)	—	—	—	—	(7,320)	—	—	(7,320)
Equity restructure	15(d)	—	(4,554)	—	(4,554)	—	(19,533)	(1,424)	(20,957)
Dividends and distributions paid or provided for	7	—	—	(9,667)	(9,667)	—	—	(37,357)	(37,357)
Balance at 30 June 2017		5,364	(25,110)	(26,927)	(46,673)	525,206	(9,406)	61,518	577,318
									530,645

1 Retained earnings at 1 July 2016 of \$7,781,000 (\$694,000 at 1 July 2015) has been restated to separately disclose the retained earnings attributable to unitholders of other stapled entities.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2017**

**Consolidated Statement of Cash Flows
For the year ended 30 June 2017**

	Note	30-Jun-2017 \$'000	30-Jun-2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		107,135	14,052
Interest received		50	30
Payments to suppliers and employees		(54,084)	(4,237)
Finance costs paid		(8,110)	(1,276)
Income tax paid		(3,152)	(872)
Net cash provided by operating activities	21	41,839	7,697
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		23,904	1,064
Proceeds from sale of investment properties		49,190	—
Capital expenditure on investment properties		(17,624)	—
Capital expenditure on leasehold buildings		(106)	—
Loan payments to related parties		(3,540)	—
Loan proceeds from related parties		—	3,600
Payment for investment in joint ventures		(43,462)	(10,219)
Purchase of furniture, plant and equipment		(37)	(542)
Net cash provided by/(used by) investing activities		8,325	(6,097)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of securities		497,292	—
Securities issue costs		(7,320)	—
Payments to acquire non-controlling interest		—	(7,445)
Equity restructuring payments		(24,087)	—
Proceeds from borrowings		291,640	10,870
Repayment of borrowings		(743,311)	(2,857)
Dividends and distributions paid		(48,335)	(557)
Net cash provided by/(used by) financing activities		(34,121)	11
Net increase in cash and cash equivalents		16,043	1,611
Cash and cash equivalents at the beginning of financial year		3,959	2,348
Cash and cash equivalents at the end of the year		20,002	3,959

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2017**

**Notes to the Financial Statements
For the year ended 30 June 2017**

About this Report

In this section

This section sets out the basis upon which the Group's Financial Statements are prepared.

Specific accounting policies are described in their respective notes to the Financial Statements. This section also shows information on new or amended accounting standards and their impact on the financial position and performance of the Group.

(a) Basis of preparation

Propertylink Group stapled securities are quoted on the Australian Securities Exchange under the "PLG" code and comprise one share in Propertylink (Holdings) Limited (PHL) and one unit in each of Propertylink Australian Industrial Partnership (PAIP) and Propertylink Trust (PT). In accordance with Australian Accounting Standards, the entities within the Group must be consolidated for financial reporting purposes. The parent entity, PHL, has been deemed the acquirer of PAIP and PT. These Financial Statements therefore represent the consolidated results of PHL, and include PHL and its controlled entities, PAIP and its controlled entities and PT and its controlled entities (together the "Group"). Equity attributable to PAIP and PT stapled securityholders form a non-controlling interest. The amount of non-controlling interest attributable to stapled securityholders is disclosed in the Statement of Financial Position.

On 15 August 2016, the Group became unconditionally listed on the ASX following the successful completion of an Initial Public Offering (IPO). The Financial Statements include profits generated by the unlisted stapled PHL and PT group from 1 July 2016 to 15 August 2016, and profits generated by the listed Propertylink Group from 16 August 2016 to 30 June 2017. Prior to 15 August 2016, the units in PT were stapled to the shares in PHL, and comparative figures refer to prior period results of that stapled group. For clarity, comparative figures in the Financial Statements exclude the financial performance of PAIP.

Each entity forming part of the Group continues as a separate legal entity in its own right under the Corporations Act 2001 and is therefore required to comply with the reporting and disclosure requirements under the Corporations Act 2001 and Australian Accounting Standards.

The financial report was authorised for issue by Directors on 14 August 2017.

These general purpose Financial Statements have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2017**

**Notes to the Financial Statements (continued)
For the year ended 30 June 2017**

Amounts in these Financial Statements have been presented in Australian dollars and rounded off in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 to the nearest thousand dollars, unless otherwise indicated.

The Financial Statements except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Refer to the specific accounting policies within the notes to the Financial Statements for the basis of valuation of assets and liabilities measured at fair value.

These Financial Statements are prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Critical accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements may require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Judgements and estimates which are material to the financial report are discussed in the following notes:

● Investment properties	Note 8
● Leasehold buildings	Note 8, 9
● Derivative financial instruments	Note 12

(b) Principles of consolidation

The consolidated Financial Statements incorporate all of the assets, liabilities and results of the Propertylink Group and all of the subsidiaries.

(i) Controlled entities

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 26. The assets, liabilities and results of all subsidiaries are fully consolidated into the financial

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2017**

**Notes to the Financial Statements (continued)
For the year ended 30 June 2017**

statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Inter-company transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

(ii) Joint arrangements

Investments in joint arrangements are classified as joint ventures based on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

Joint ventures

Investments in joint ventures are accounted for using the equity method. Under this method, the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the joint venture. In addition, the Group's share of the profit or loss of the joint venture is included in the Group's profit or loss.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture. Upon the joint venture subsequently making profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(c) New Accounting Standards for application in future periods

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 *Financial Instruments* (effective application for the Group is 1 July 2018).

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. It also sets out new rules for hedge accounting and impairment of financial assets. The Group intends to apply the standard from 1 July 2018. It is not expected that the application of this standard will have a material impact on any of the amounts recognised in the consolidated Financial Statements.

AASB 15: *Revenue from Contracts with Customers* (effective application for the Group is 1 July 2018).

AASB 15 Revenue from Contracts with Customers clarifies the principles for recognition revenue from contracts with customers. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The Group intends to apply the standard from 1 July

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2017**

**Notes to the Financial Statements (continued)
For the year ended 30 June 2017**

2018. The Group is continuing to assess the impact of this standard, however, it is not practical to quantify the impact on the consolidated Financial Statement at the application date.

AASB 16: Leases (effective application for the Group is 1 July 2019).

AASB 16 Leases introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Group is continuing to assess the impact of this standard, however, it is not practical to quantify the impact on the consolidated Financial Statement at the application date. The Group intends to apply the standard from 1 July 2019.

(d) Notes to the Financial Statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important in understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business;
- it relates to an aspect of the Group's operations that is important to its future performance.

The notes are organised into the following sections:

<u>Group performance</u>	<u>Property portfolio assets</u>	<u>Capital and financial risk management and working capital</u>	<u>Other disclosures</u>
1. Operating segments	8. Investment properties	12. Capital and financial risk management	18. Intangible assets
2. Revenue	9. Property, plant and equipment	13. Borrowings	19. Security-based payments
3. Property expenses	10. Non-current assets classified as held for sale	14. Commitments and contingencies	20. Auditors' remuneration
4. Finance costs	11. Equity accounted investments	15. Contributed equity	21. Cash flow information
5. Taxation		16. Reserves	22. Related parties
6. Earnings per security		17. Working capital	23. Parent entity disclosures
7. Dividends and distributions			24. Events after the reporting period
			25. Business combinations
			26. Interests in subsidiaries
			27. Company details

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2017**

**Notes to the Financial Statements (continued)
For the year ended 30 June 2017**

Group Performance

In this section

This section explains the results and performance of the Group. It provides additional information about those individual line items in the Financial Statements that the Directors consider most relevant in the context of the operations of the Group.

Note 1 Operating segments

(a) Description of segments

The Board of Directors has been identified as the Group's chief operating decision maker (CODM) as they are responsible for the strategic decision making within the Group. The Group's operating segments have been determined based on the internal information that is provided to the CODM and which is used to make strategic decisions. Refer to the table below for a brief description of the Group's operating segments.

<u>Segment</u>	<u>Description</u>
Property investment	Acquires, improves and leases industrial property, and co-invests in industrial and commercial property, both within the geographical location of Australia.
Management services	Fund and property management services for managed assets, and property management services for owned assets, within the geographical location of Australia.

(b) Segment information

Information related to each reporting segment for FY2017 is set out below. Segment profit (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2017**

**Notes to the Financial Statements (continued)
For the year ended 30 June 2017**

As a result of the stapling of PAIP in August 2016, the Group determined that it has two reportable segments. For the year ended 30 June 2016, the Group considered that it operated in only one segment, being property management and investment within the geographical location of Australia. As a result of the determination that the Group has two reportable segments, comparative figures for FY2016 are provided.

<u>Year ended 30 June 2017</u>	<u>Property investments</u>	<u>Management services</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Revenue			
Operating revenue	65,603	37,154	102,757
Net fair value gain on investment property	27,834	—	27,834
Other income	5,514	2	5,516
Segment revenue and other income	<u>98,951</u>	<u>37,156</u>	<u>136,107</u>
Reconciliation to statutory revenue and other income:			
Other income			872
Total revenue and other income			<u>136,979</u>
Expenses			
Property expenses	(15,980)	—	(15,980)
Other operating expenses	(810)	(140)	(950)
Finance costs	(9,645)	—	(9,645)
Total segment expenses	<u>(26,435)</u>	<u>(140)</u>	<u>(26,575)</u>
Segment profit before income tax	<u>72,517</u>	<u>37,016</u>	<u>109,532</u>
Reconciliation to statutory profit after tax:			
Initial public offering cost			(16,879)
Employee benefits expenses			(9,855)
Other operating expenses			(4,001)
Finance costs and depreciation expense			(483)
Tax expense			(2,100)
Profit after income tax attributable to owners of the stapled securities			<u>77,086</u>

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2017**

**Notes to the Financial Statements (continued)
For the year ended 30 June 2017**

<u>Year ended 30 June 2016</u>	<u>Property investment</u> \$'000	<u>Management services</u> \$'000	<u>Total</u> \$'000
Revenue			
Operating revenue	9,783	10,757	20,540
Other income	603	—	603
Segment profit before income tax	10,386	10,757	21,143
Reconciliation to statutory revenue and other income:			
Other income			597
Total revenue and other income			21,740
Expenses			
Finance costs	(1,436)	—	(1,436)
Reconciliation to statutory profit after tax:			
Employee benefits expenses			(7,239)
Other operating expenses			(4,454)
Tax expense			(281)
Profit after income tax attributable to owners of the stapled securities			8,330
 <u>As at 30 June 2017</u>	 <u>Property investment</u> \$'000	 <u>Management services</u> \$'000	 <u>Total</u> \$'000
Assets			
Equity accounted investments	63,345	—	63,345
Investment properties	572,756	—	572,756
Investment properties held for sale	31,550	—	31,550
Property, plant and equipment	97,600	—	97,600
Other assets	18,407	2,353	20,760
Total segment assets	783,658	2,353	786,011
Reconciliation of segment assets to the Statement of Financial Position			
Cash and cash equivalents			5,275
Receivables and prepayments			791
Deferred tax assets			5,222
Intangible assets			4,567
Other plant and equipment			454
Total assets			802,320
Total segment liabilities	206,343	609	206,952
Reconciliation of segment liabilities to the Statement of Financial Position			
Intercompany payables			60,180
Other liabilities			4,543
Total liabilities			271,675
Segment net assets	577,315	1,744	579,059

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2017**

**Notes to the Financial Statements (continued)
For the year ended 30 June 2017**

<u>As at 30 June 2016</u>	<u>Property investment</u> \$'000	<u>Management services</u> \$'000	<u>Total</u> \$'000
Assets			
Equity accounted investments	39,414	—	39,414
Investment properties	6,471	—	6,471
Other assets	589	2,573	3,162
Total segment assets	<u>46,474</u>	<u>2,573</u>	<u>49,047</u>
Reconciliation of segment assets to the Statement of Financial Position			
Cash and cash equivalents			3,959
Receivables and prepayments			1,008
Deferred tax assets			787
Intangible assets			4,566
Other plant and equipment			561
Total assets			<u>59,928</u>
Total segment liabilities	<u>22,867</u>	<u>395</u>	<u>23,262</u>
Reconciliation of segment liabilities to the Statement of Financial Position			
Payables			9,705
Other liabilities			966
Total liabilities			<u>33,933</u>
Segment net assets	<u>23,607</u>	<u>2,178</u>	<u>25,785</u>

Note 2 Revenue

(a) Revenue recognition

All revenue is stated net of the amount of goods and services tax.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor, it has pricing latitude and is also exposed to credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2017**

**Notes to the Financial Statements (continued)
For the year ended 30 June 2017**

Rental income

The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss.

Initial direct costs incurred in negotiating and arranging an operating lease are capitalised, then recognised as an expense over the lease term on the same basis as the lease income.

Lease incentives

Prospective lessees may be offered incentives as an inducement to enter into non-cancellable operating leases. These incentives may take various forms including rent-free periods, upfront cash payments, or a contribution to certain lessee costs such as fitout costs. Incentives are capitalised and amortised on a straight-line basis over the lease term as a reduction in rental income. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, it is reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the consolidated statement of profit or loss when the right to receive them arises.

Service charges, management charges and other outgoings recoverable from tenants

Income arising from expenses recharged to tenants is recognised in the period in which the compensation becomes receivable and is classified as outgoings recovery income.

Management fee income

Propertylink has contractual entitlements to management fee income, which are recognised as follows:

- Performance fees are generally only entitled to be charged on the sale of all assets of a fund, so such fees are only recognised when all assets have been sold and Propertylink is entitled to charge fees;
- Acquisition and other transaction related fees are recognised when the service has been provided and Propertylink is entitled to charge fees; and
- Investment and property management services are provided on a monthly basis and revenue is recognised each month.

Interest income

Interest income is recognised as it accrues using the effective interest rate method.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2017**

**Notes to the Financial Statements (continued)
For the year ended 30 June 2017**

(b) Property revenue

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Rental income	45,790	517
Outgoings recovery income	11,134	—
Straight-lining of lease incentives	264	(12)
Make good recovery	199	—
Total property revenue	<u>57,387</u>	<u>505</u>

(c) Fees and other income

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Management fee income:		
—Performance ¹	25,159	—
—Acquisitions	2,662	2,065
—Investment management	4,830	5,377
—Property management	3,577	2,568
—Other property services	926	747
Total management fee revenue	<u>37,154</u>	<u>10,757</u>

¹ Investment mandates generally allow for a performance fee to be paid in the event of investment performance above minimum hurdle rates. During the year performance fees were derived from former PAIP investors.

Note 3 Property expenses

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Council rates and land tax	4,355	—
Repairs, maintenance and utilities	3,805	—
Ground lease	2,406	—
Property management expenses	2,046	—
Depreciation	2,140	—
Property insurance costs	678	—
Other	550	27
Total property expenses	<u>15,980</u>	<u>27</u>

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Note 4 Finance costs

Finance costs include interest, amortisation of borrowing costs incurred in connection with arrangement of borrowings and realised gains and losses on interest rate swaps. Borrowing costs are expensed as incurred unless they relate to qualifying assets.

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Interest on bank loans	8,004	866
Interest on other loans	81	344
Borrowing costs ¹	1,898	226
Total finance costs	<u>9,983</u>	<u>1,436</u>

¹ Borrowing costs include \$1,555,096 in unamortised borrowing costs incurred to establish pre-IPO facilities for PHL and PAIP. The establishment of a new facility at the time of the IPO resulted in these costs being written off when the pre-IPO facilities were extinguished.

Note 5 Taxation

Most of the Group's profit is earned by trusts which are not subject to taxation. Income from the trusts is instead attributed to unitholders who pay income tax at their marginal tax rates. Income tax is in respect of Propertylink (Holdings) Ltd and its subsidiaries only.

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Current and deferred income tax expense (income) is charged or credited outside the profit or loss when the tax relates to items that are recognised outside the profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

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Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits can be utilised.

Where temporary differences exist in relation to investments in subsidiaries and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can't be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(a) Income tax expense/(benefit)

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Current tax expense	(6,634)	(884)
Deferred tax benefit	4,534	603
Total tax expense	<u>(2,100)</u>	<u>(281)</u>
Deferred income tax expense included in the income tax (expense)/benefit comprises		
Increase in deferred tax assets	4,534	603
Total deferred tax expense	<u>4,534</u>	<u>603</u>

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(b) Reconciliation of income tax (expense)/benefit to prima facie tax payable

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Profit before income tax	79,186	8,611
Non-taxable profit attributable to Trusts	(92,518)	(7,087)
Profit/(loss) before income tax generated by PHL Group	(13,332)	1,524
Prima facie tax credit/(expense) at the Australian tax rate of 30%	4,000	(457)
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income</i>		
Non deductible items		
—Loan forgiven to PT	(6,000)	—
—Entertainment of clients and employees	(19)	(13)
—Share equity cost written off	—	83
—Capital gain sheltered by carrying forward capital loss	—	119
—Adjustments in respect of prior year	(81)	(13)
Income tax expense	<u>(2,100)</u>	<u>(281)</u>

(c) Deferred tax assets

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
The balance comprises temporary differences attributable to:		
Employee provisions	189	139
Initial public offering cost ¹	4,051	—
Other	982	648
Total deferred tax assets	<u>5,222</u>	<u>787</u>
Movement		
Opening balance at the beginning of the year	787	184
Movement in deferred tax asset arising from temporary differences ²	4,435	603
Closing balance at the end of the year	<u>5,222</u>	<u>787</u>

1 Initial public offering costs are amortised over 5 years.

2 Includes an adjustment to prior year balance of \$98,905

Note 6 Earnings per security

Earnings per security are determined by dividing the net profit attributable to shareholders of the parent and securityholders of the Group by the weighted average number of ordinary securities outstanding during the period. Diluted earnings per security are adjusted from the basic earnings per security by taking into account the impact of dilutive potential securities.

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(a) Net profit used in calculating basic and diluted earnings per security

	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Profit/(loss) attributable to shareholders of the parent entity	(15,432)	1,243
Profit attributable to stapled securityholders	77,086	8,330

(b) Weighted average number of securities used as a denominator

	<u>2017</u>	<u>2016</u>
	No. of securities	No. of securities
Weighted average number of ordinary stapled securities used in calculation of basic earnings per security	532,334,533	27,915,673
Weighted average number of ordinary stapled securities used in calculation of diluted earnings per security	532,334,533	32,897,879

(c) Basic and diluted earnings per security

	<u>2017</u>	<u>2016</u>
	cents	cents
Basic earnings/(loss) per share—Parent	(2.90)	4.45
Diluted earnings/(loss) per share—Parent	(2.90)	3.78
Basic earnings per security—Group	14.48	29.84
Diluted earnings per security—Group	14.48	25.32
Adjustments for calculation of diluted earnings per stapled security		
Options exercised but not yet issued as shares	—	4,982,206
Weighted average number of ordinary stapled securities and potential ordinary stapled securities	532,334,533	32,897,879

Note 7 Dividends and distributions

Dividends and distributions are recognised when declared.

	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Distributions paid:		
Fully franked ordinary dividend to pre IPO PHL shareholders on 15 August 2016	9,667	—
Capital distribution to pre IPO PT unitholders on 15 August 2016	21,082	—
Profit distribution to PLG securityholders on 3 March 2017	16,275	—
	<u>47,024</u>	<u>—</u>

The balance of franking account at the end of the year was \$399,624 (2016: \$1,290,373).

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Property Portfolio Assets

In this section

This section details the assets which are used to generate the Group's performance and are considered to be the most relevant to the operations of the Group. The assets are detailed in the following notes:

Investment properties: relates to freehold investment properties.

Property, plant and equipment: relates to leasehold buildings and furniture and equipment.

Non-current assets classified as held for sale: relates to investment properties which are expected to be sold within 12 months of the balance sheet date and are currently marketed for sale.

Equity accounted investments: provides summarised financial information on joint ventures. The Group's joint ventures comprise interests in property portfolio assets held through investments in trusts.

Note 8 Investment properties

Investment property comprises completed property and property under construction or re-development (including integral plant and equipment) that are held to earn rentals and for capital appreciation.

Investment property is measured initially at cost, including transaction costs. The carrying amount also includes capital expenditure on investment property and components relating to lease incentives and assets relating to fixed increases in operating lease rentals in future periods.

Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Investment properties are not depreciated for accounting purposes. Taxation allowances for the depreciation of buildings and plant and equipment contribute to the tax deferred component of distributions to stapled securityholders.

When an investment property is disposed of, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

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(a) Reconciliation

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Opening balance at the beginning of the period	6,471	5,857
Property acquisitions	583,978	—
Property sales	(32,966)	—
Capital expenditure	17,624	—
Less: classified as held for sale	(31,550)	—
Capitalised straight-lining of fixed increases in operating leases inclusive of lease incentives	1,365	12
Net fair value gain on investment property	27,834	602
Closing balance at the end of the period	<u>572,756</u>	<u>6,471</u>

The carrying amount of investment property includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to \$3,175,570 (2016: \$11,941).

(b) Fair value measurement—investment property, investment property held for sale and property classified as property, plant and equipment

Each property is considered a separate asset class based on its unique nature, characteristics and risk. The Group's policies on investment property valuations require that:

- management provide Directors with a view of the fair value of each property as each six-monthly reporting date approaches;
- where the view indicates the fair value of a property may materially differ from the current carried value, the Directors require that management procure an independent external valuation; and
- all properties in the portfolio are to be subject to an independent external valuation at least once in any 24 month period.

In accordance with policies, management provided the Directors with a view of property carrying values in May 2017. Following the presentation, five properties (representing 28% of the total investment property portfolio value at 30 June 2017) were required to be independently valued by external valuers, and the remaining 25 properties (representing 72% of the investment property portfolio) were internally assessed. Following the assessments, the Directors instructed that the respective property carrying values be adjusted to the value determined under each of the above processes.

Highest and best use

For all investment property that is measured at fair value, the current use of the property is considered the highest and best use.

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Fair value hierarchy

The fair values of investment property recognised in the consolidated statement of financial position are Level 3 of the fair value measurement hierarchy (refer to Note 12(b)(iv)).

Valuation techniques used to derive fair values

The fair value is measured using capitalisation of net market income, discounted cash flow (DCF) approaches and comparable sales where appropriate.

Capitalisation (cap) approach

The capitalisation approach involves the addition of expected rent for the various components of the property and the deduction of outgoings and other expenses (where appropriate) in order to determine the net income of the property. This net market income is capitalised at the adopted capitalisation rate to derive a market value. The higher/lower the capitalisation rate is adopted, the lower/ higher the valuation of a property.

Discounted cash flows (DCF) approach

The DCF approach involves discounting future net operating cash flows over a 10 year investment horizon at the adopted discount rate to derive a net present value for the property. The higher/lower the discount rate is adopted, the lower/higher the valuation of a property.

The Group's investment properties have been valued adopting the following key unobservable inputs:

	Fair value		Valuation technique	Key unobservable inputs	2017	2016
	2017	2016			2017	2016
	\$'000	\$'000			\$'000	\$'000
Investment properties	604,306	6,471	Cap Approach	Capitalisation rate	6.15% - 10.5% (avg 7.21%)	6.75% - 7% (avg 6.875%)
			DCF Approach	Discount rate	7.50% - 12.5% (avg 7.11%)	8%

Key estimates: inputs used to measure fair value of investment properties and leasehold buildings

Judgement is required in determining the following key assumptions;

- **Adopted capitalisation rate:** The rate at which net market rental revenue is capitalised to determine the value of a property. The rate is determined with regard to market evidence and the prior external valuation.

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- **Adopted discount rate:** The rate of return used to convert cash flows, payable or receivable in the future, into present value. It reflects the opportunity cost of capital, that is, the rate of return the cash can earn if put to other uses having similar risk. The rate is determined with regard to market evidence and the prior external valuation.

(c) Sensitivity information

The table below highlights the sensitivity analysis of a 25 basis point change in capitalisation rate on the fair value of investment property:

		<u>-25 basis points</u> \$'000	<u>+ 25 basis points</u> \$'000
Change in fair value of investment properties	2017	22,877	(21,309)
	2016	312	(290)

The table below highlights the sensitivity analysis of a 25 basis point change in discount rate on the fair value of investment property:

		<u>-25 basis points</u> \$'000	<u>+ 25 basis points</u> \$'000
Change in fair value of investment properties	2017	8,769	(8,567)
	2016	128	(125)

Note 9 Property, plant and equipment

Property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property—leasehold buildings

Leasehold buildings are carried at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic valuations by external independent valuers, less accumulated depreciation for buildings (refer to Note 8 for more details).

Increases in the carrying amount arising on revaluation of buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are recognised against the revaluation reserve directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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Depreciation

The depreciable amount is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<u>Class of fixed asset</u>	<u>Depreciation rate</u>
Property—leasehold buildings	2.6% p.a.

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

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(a) Property, plant and equipment—reconciliation

	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Leasehold buildings at fair value		
Opening balance at the beginning of the period	—	—
Leasehold property acquisitions	91,703	—
Capital expenditure on leasehold property	106	—
Capitalised straight-lining of fixed increases in operating leases	331	—
Capitalised straight-lining of fixed increases in ground leases	(1,883)	—
Depreciation	(2,140)	—
Net fair value gain/(loss) on leasehold property	9,483	—
Closing balance at the end of the period	<u>97,600</u>	<u>—</u>
Other plant and equipment at cost		
Office leasehold improvements	350	448
Office equipment	104	113
Total other plant and equipment	<u>454</u>	<u>561</u>
Total property, plant and equipment	<u><u>98,054</u></u>	<u><u>561</u></u>

The carrying amount of leasehold buildings includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to (\$3,486,532) (2016: \$Nil).

Leasehold buildings consist of one property—Melbourne Markets. The property has been internally valued at 30 June 2017 at \$97.6m.

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(b) Fair value measurement

Fair value hierarchy

The fair values of property, plant and equipment recognised in the consolidated statement of financial position are Level 3 of the fair value measurement hierarchy (refer to Note 12(b)(iv)).

Refer to Note 8(b) for valuation techniques and key estimates and judgements used to measure fair value of leasehold buildings. The Group's leasehold buildings have been valued adopting the following key unobservable inputs:

	Fair value		Valuation technique	Key unobservable inputs	2017	2016
	2017	2016			2017	2016
	\$'000	\$'000			\$'000	\$'000
Leasehold buildings	97,600	—	Cap Approach	Capitalisation rate	7.25%	N/A
			DCF Approach	Discount rate	8.75%	N/A

(c) Sensitivity information

The table below highlights the sensitivity analysis of a 25 basis point change in capitalisation rate on the fair value of Melbourne Markets property:

		-25 basis points	+ 25 basis points
		\$'000	\$'000
Change in fair value of leasehold buildings	2017	3,376	(3,151)
	2016	—	—

The table below highlights the sensitivity analysis of a 25 basis point change in discount rate on the fair value of Melbourne Markets property:

		-25 basis points	+ 25 basis points
		\$'000	\$'000
Change in fair value of leasehold buildings	2017	1,529	(1,495)
	2016	—	—

Note 10 Non-current assets classified as held for sale

Investment property is transferred to non-current assets held for sale when:

- the property is available for immediate sale in its present condition; and
- the Trustee is committed to a plan to sell the property at its current fair value with a marketing programme initiated; and
- a sale is expected within one year

Investment properties held for sale continue to be measured at fair value and are presented separately as current items in the consolidated statement of financial position.

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As at 30 June 2017 two of the Group's investment properties with a fair value of \$31.55m have been classified as held for sale. The sale of 150-156 McCredie Road, Smithfield, NSW was settled on 12 July 2017 for \$23m. The sale of 8 Sylvania Way, Lisarow, NSW is expected to settle by 30 November 2017 for \$9.63m.

Note 11 Equity accounted investments

(a) Information about principal joint ventures

Set out below are the material joint ventures of the Group. The entities listed below are unit trusts in which the Group holds equity. The proportion of equity held by the Group does not equal the voting rights held by the Group. The entities are controlled jointly with the external investors. The below entities were formed in Australia and their principal activity is property investment in Australia.

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(b) Summarised financial information for equity accounted investments

Set out below is the summarised financial information for equity accounted investments, adjusted where necessary to reflect any differences in accounting policies between the Group and the investee:

30 June 2017	Propertylink Enhanced Partnership	50 Ann Propertylink Enhanced Partnership	PAIP Investment Partnership ¹	Auslog Holdings Trust ²	PHL Moelis Braeside Trust ³	POP II Investment Partnership ⁴	Propertylink Commercial Industrial Investments	Propertylink Australian Industrial Partnership II	POP III Investment Partnership	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group's share (%)	25.00%	25.00%	0.00%	0.00%	10.00%	20.00%	7.50%	3.93%	11.21%	
Proportion of voting rights	50.00%	50.00%	0.00%	0.00%	50.00%	50.00%	50.00%	50.00%	50.00%	
Summarised financial position										
Cash and cash equivalents	7,378	2,550	—	—	268	1	1,018	2,903	1,220	15,338
Total current assets	8,187	2,603	—	—	563	706	1,036	4,111	1,457	18,663
Total non-current assets	160,833	145,252	—	—	49,330	31,163	29,000	252,113	108,700	776,391
Current financial liabilities	(81)	—	—	—	(207)	—	(131)	(212)	(95)	(726)
Other current liabilities	(3,371)	(2,999)	—	—	(532)	(304)	(718)	(5,431)	(1,349)	(14,704)
Non-current financial liabilities	(74,479)	(64,936)	—	—	(23,948)	—	(17,313)	(138,849)	(55,991)	(375,516)
Net assets	91,089	79,920	—	—	25,206	31,565	11,874	111,732	52,722	404,108
Group's share of joint venture's net assets	22,772	19,980	—	—	2,521	6,313	889	4,405	6,466	63,345
Summarised financial performance for the year ended 30 June 2017										
Revenue	34,640	(7,262)	252	7,698	8,182	1,665	2,437	12,395	15,057	75,064
Depreciation and amortisation	(62)	—	—	—	—	—	—	(1,169)	—	(1,231)
Interest income	5	1	628	3	1	1,755	12	66	20	2,491
Interest expense	(2,861)	(389)	—	(1,035)	(898)	—	(731)	(2,903)	(1,887)	(10,704)
Other expenses	(4,964)	(583)	(12)	(1,679)	(721)	—	(466)	(7,695)	(2,752)	(18,872)
Profit/(loss) from continuing operations	26,758	(8,233)	868	4,987	6,564	3,420	1,252	694	10,438	46,748
Income tax expense	—	—	—	—	—	—	—	—	—	—
Profit/(loss) after tax from continuing operations	26,758	(8,233)	868	4,987	6,564	3,420	1,252	694	10,438	46,748
Total comprehensive income/(loss)	26,758	(8,233)	868	4,987	6,564	3,420	1,252	694	10,438	46,748
Group's share of joint venture's total comprehensive income	6,690	(2,058)	304	499	656	684	94	27	1,640	8,536
Distribution received	1,145	—	629	273	191	425	83	249	215	3,210

- 1 PT sold its investment in PAIP Investment Partnership immediately prior to the IPO on 15 August 2016, but received income distributions for the period 1 July to 15 August 2016.
- 2 The assets held by Auslog Holdings Trust were sold in February 2017 and the trust has been wound up.
- 3 The asset held by PHL Moelis Braeside Trust was sold in July 2017. Refer to Note 24 for more details.
- 4 The asset held by POP II, in which POP II Investment Partnership has 20% interest, was sold in July 2017. Refer to Note 24 for more details.

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30 June 2016	Propertylink Enhanced Partnership	50 Ann Propertylink Enhanced Partnership	PAIP Investment Partnership	Auslog Holdings Trust	PHL Moelis Braeside Trust	POP II Investment Partnership	Propertylink Commercial Industrial Investments	Propertylink Australian Industrial Partnership II	POP III Investment Partnership	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group's share (%)	0.00%	0.00%	25.00%	10.00%	10.00%	20.00%	7.50%	3.95%	6.00%	
Proportion of voting rights	0.00%	0.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	
Summarised financial position										
Cash and cash equivalents	—	—	11	1,389	516	1	919	54,957	1,974	59,766
Total current assets	—	—	1,671	1,636	765	922	1,047	70,695	2,242	78,977
Total non-current assets	—	—	86,424	69,000	42,849	31,073	29,000	32,522	99,017	389,884
Current financial liabilities	—	—	—	(1,337)	(410)	(500)	(235)	(273)	(2,069)	(4,825)
Other current liabilities	—	—	(1,325)	—	(703)	(420)	(798)	(675)	—	(3,921)
Non-current financial liabilities	—	—	—	(41,667)	(22,137)	—	(17,249)	(18,702)	(56,821)	(156,576)
Net assets	—	—	86,771	27,632	20,363	31,074	11,765	83,567	42,368	303,539
Group's share of associate's net assets . . .	—	—	21,693	2,763	2,036	6,215	882	3,297	2,527	39,414
Summarised financial performance										
Revenue	—	—	21,418	6,352	6,960	8,806	1,604	2,193	1,693	49,024
Depreciation and amortisation	—	—	—	—	—	—	—	—	—	—
Interest income	—	—	4,838	—	3	1,760	7	14	6	6,628
Interest expense	—	—	—	(1,788)	(898)	—	(479)	(543)	(546)	(4,253)
Other expenses	—	—	(2)	(454)	(2,399)	—	(2,859)	(2,679)	(484)	(8,877)
Profit/(loss) from continuing operations	—	—	26,254	4,110	3,666	10,566	(1,728)	(1,014)	669	42,522
Income tax expense	—	—	—	—	—	—	—	—	—	—
Profit/(loss) after tax from continuing operations	—	—	26,254	4,110	3,666	10,566	(1,728)	(1,014)	669	42,522
Total comprehensive income/(loss)	—	—	26,254	4,110	3,666	10,566	(1,728)	(1,014)	669	42,522
Group's share of joint venture's total comprehensive income	—	—	6,563	411	367	2,119	(130)	(19)	40	9,352

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Capital and Financial Risk Management and Working Capital

In this section

The Directors' overall financial risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Note 12 Capital and financial risk management outlines how the Group manages its exposure to a variety of financial risks (credit risk, liquidity risk and interest rate risk) and details of the various derivative financial instruments entered into by the Group.

The capital structure of the Group is detailed in the following notes:

Debt: Borrowings in Note 13 and Commitments and contingencies in Note 14.

Equity: Contributed equity in Note 15 and Reserves in Note 16.

Note 17 provides a breakdown of the working capital balances held in the Statement of Financial Position.

Note 12 Capital and financial risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, bills and interest rate swaps derivatives.

	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	20,002	3,959
Loans and receivables	4,472	4,008
Derivative financial instruments	644	—
Total financial assets	<u>25,118</u>	<u>7,967</u>
Financial liabilities		
Financial liabilities at amortised cost		
—Trade and other payables	11,207	10,166
—Borrowings	255,926	22,802
Total financial liabilities	<u>267,133</u>	<u>32,968</u>

(a) Capital risk management

Management manages the capital of the Group in order to maintain an acceptable debt to total tangible assets ratio, provide the securityholders with adequate returns, and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary equity capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

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Management assesses the Group's financial risks and adjusts its capital structure in response to changes in these risks and the market. These responses may include the review of debt levels, review of distributions to securityholders, and issue of new securities.

The Group has a target gearing level of 30% to 40%. The table below details the calculation of the gearing ratio:

	2017	2016
	\$'000	\$'000
Total interest bearing liabilities ¹	257,000	22,938
Cash and cash equivalents	20,002	3,959
Total tangible assets ²	797,754	55,362
Gearing ratio³	30.5%	36.9%
Gearing ratio (look-through)⁴	35.2%	N/A

1 Total interest bearing liabilities exclude unamortised borrowing costs.

2 Total tangible assets comprise total assets less intangible assets.

3 The gearing ratio is calculated as total interest bearing liabilities less cash and cash equivalents divided by total tangible assets less cash and cash equivalents.

4 The look-through gearing ratio is calculated on the same basis, by including the Group's underlying interest in debt, cash and tangible assets of equity accounted investments.

(b) Financial risk management

Management meets monthly to analyse financial risk and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Management operates under policies approved by the Board of Directors. Financial risk management policies are reviewed and approved by the Board at least annually, including credit risk policies and future cash flow requirements.

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rates.

(i) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

The Group manages credit risk by:

- maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness;

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- utilisation of systems for the approval, granting and renewal of credit limits;
- regular monitoring of exposures against credit limits;
- obtaining collateral where necessary in the form of tenant bonds;
- regular monitoring of the financial stability of significant customers and counterparties. Credit terms are generally 30 to 45 days from the date of invoice; and
- investing surplus funds in financial institutions that maintain a high credit rating or in entities that the senior executives have otherwise assessed as being financially sound.

The maximum exposure to credit risk at balance date to recognised financial assets, excluding the value of any collateral or other security, is the carrying amount, net of any provisions for impairment of those assets. The Group manages credit risk by ensuring that appropriate due diligence is carried out before entering into lease agreements with tenants. Receivable balances are regularly reviewed to reduce exposure to bad debts.

(ii) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk by:

- preparing forward-looking cash flows for its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial assets and liabilities. Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liability.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward.

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Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 years		Total	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities due for payment						
Secured bank loans ¹	8,771	13,876	284,007	—	292,778	13,876
Trade and other payables	11,207	10,166	—	—	11,207	10,166
Derivative financial instruments ²	211	—	—	—	211	—
Other loans	—	9,062	—	—	—	9,062
Total expected outflows	20,189	33,104	284,007	—	304,196	33,104
Financial assets—cash flows realisable						
Cash and cash equivalents	20,002	3,959	—	—	20,002	3,959
Trade, term and loan receivables	4,228	3,894	—	—	4,228	3,894
Derivative financial instruments ²	—	—	937	—	937	—
Total expected inflows	24,230	7,853	937	—	25,167	7,853
Net (outflow) / inflow on financial instruments	4,041	(25,251)	(283,070)	—	(279,029)	(25,251)

1 Refer to Note 13. Includes estimated fees and interest.

2 Derivative financial instruments comprise of interest rate swaps, for which only the net interest cash flows (not the notional principal) are included. Refer to note 12(c) for fair value of derivatives.

The Group manages the liquidity required to meet its current liabilities from operating cash flows. Non-current liabilities in respect of bank loans are managed by way of renegotiation or from the sale of assets.

(iii) Market risk

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates.

To manage interest rate risk, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 30 June 2017, after taking into account the effect of interest rate swaps, 69.1% of the Group's borrowings are hedged (30 June 2016: Nil).

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The net notional amount of variable rate debt (i.e. interest bearing loans net of interest rate swaps) and effective hedge rate are set out below:

		<u>2017</u>	<u>2016</u>
	Note	\$'000	\$'000
Bank facilities	13	257,000	13,876
Less notional amount of interest rate swaps		(177,500)	—
Unhedged debt		79,500	13,876
Hedge rate (%)		69.1%	0.0%

Sensitivity analysis

The analysis below describes reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit before tax and equity. It should be noted that the impact of movement in the variable is not necessarily linear.

- The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on finance income less finance expense for the period, based on the floating rate financial liabilities held at the reporting date, including the effect of hedging instruments.
- The sensitivity of equity is calculated by revaluing interest rate swaps designated as cash flow hedges, for the effects of the assumed changes in interest rates.

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities also assume that the movement in a particular variable is independent of other variables.

	<u>2017</u>		<u>2016</u>	
	Profit	Equity	Profit	Equity
	\$'000	\$'000	\$'000	\$'000
Increase in interest rate by 0.5%	(398)	2,811	(69)	(69)
Decrease in interest rate by 0.5%	398	(2,539)	69	69

There have been no changes in any of the assumptions used to prepare the above sensitivity analysis from the prior year.

(iv) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement

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is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Group must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities, for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy (described as follows), based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1—Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2—Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3—Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

All financial instruments were measured at Level 2 for the periods presented in this report.

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair value estimation

The fair values of financial assets and financial liabilities equal their carrying value presented in the consolidated statement of financial position.

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Management has assessed that the fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and liabilities is included at the amount of which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The valuation techniques applied to fair value of derivatives employ the use of market observable inputs and include swap models which use present value calculations. The model incorporates various inputs including the credit quality of counterparties and forward rates.
- Fair values of the Group's interest bearing borrowings and loans are determined by using the DCF method using a discount rate that reflects the issuer's borrowing rate including its own non-performance risk as at 30 June 2017. As at 30 June 2017, the fair value of the Group's interest bearing borrowings and loans is \$257m.

(c) Derivative financial instruments

A derivative is a type of financial instrument typically used to manage risk. A hedge is where a derivative is used to manage an underlying exposure and the Group uses derivatives, such as interest rate swaps, to hedge its risks associated with interest rates. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value with any changes in fair value recognised in the Statement of Comprehensive Income. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

At inception, the Group can elect to formally designate and document the relationship between certain hedge derivative instruments (interest rate swaps) and the associated hedged items (bank borrowings). The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows attributable to a particular risk to a highly probable forecast transaction pertaining to an asset or liability.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss.

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If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in OCI are transferred to the statement of profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the firm commitment is met.

When a derivative is held as an economic hedge for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current consistent with the classification of the underlying item. A derivative instrument that is a designated and effective hedging instrument is classified consistent with the classification of the underlying hedged item.

At 30 June 2017, the Group had interest rate swap agreements in place with a notional amount of \$177.5m (30 June 2016: \$Nil) whereby the Group receives a variable rate and pays a fixed rate of interest of between 1.83% and 2.54%. The interest rate swaps are being used to manage the Group's interest rate risk exposure to changes in the cash flow of its secured bank loan and are formally designated as cash flow hedges.

The aggregate fair value of the interest rate swaps at the end of the reporting period was an asset of \$644,279 (30 June 2016: \$Nil).

The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to transfer the swap at reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of derivatives is determined using recognised valuation techniques and the principles of IFRS 13 Fair Value Measurement. The interest rate swaps are classified in Level 2 of the fair value measurement hierarchy (refer to Note 12(b)(iv)).

Note 13 Borrowings

Borrowings are initially recognised at fair value net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are capitalised to borrowings and amortised in profit or loss over the expected life of the borrowings.

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All borrowings with contractual maturities greater than 12 months after reporting date are classified as non-current liabilities.

	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
Current		
Bank loan secured	—	13,876
Borrowing costs	—	(136)
Loan others	—	9,062
Total current borrowings	<u>—</u>	<u>22,802</u>
Non-current		
Bank loan secured	257,000	—
Borrowing costs	(1,074)	—
Total non-current borrowings	<u>255,926</u>	<u>—</u>
Total borrowings	<u>255,926</u>	<u>22,802</u>

The bank loan is a commercial bill facility and is priced at a margin over 90-day BBSY rate. The facility is secured against the Group's investment properties and property, plant and equipment, and by guarantees provided to the financier by certain Group entities. The facility is split into two tranches, a \$150m facility drawn to \$145m expiring on 15 August 2019, and a \$150m facility drawn to \$112m expiring on 15 August 2021.

The Group has been in compliance with all debt covenants during the year.

Refer to Note 12 for details on the Group's exposure to risks associated with financial liabilities.

Note 14 Commitments and contingencies

(a) Commitments

(i) Lease payable commitments

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in the arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. Leases that do not transfer substantially all the risks and rewards of ownership of an asset to the Group are classified as operating leases. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

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The Group makes non-cancellable ground lease payments on land on which the Melbourne Markets operate. The ground leases have fixed escalation clauses, and expire on 30 September 2055. The improvements constructed on the leased land are classified as Property, Plant and Equipment. The Group also makes lease payments on its office premises. Commitments for minimum lease payments in relation to non-cancellable leases are as follows:

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Within 1 year	1,162	592
After 1 year, but not more than 5 years	8,979	5,043
More than 5 years	102,199	—
	<u>112,340</u>	<u>5,635</u>

(ii) Lease receivable commitments

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortised over the lease term on the same basis as rental income.

The Group has entered into leases on its property portfolio. Industrial property leases typically have initial lease terms of between 5 and 10 years and include clauses to enable periodic fixed upward revision.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Within 1 year	48,216	502
After 1 year, but not more than 5 years	114,250	950
More than 5 years	32,392	2
	<u>194,858</u>	<u>1,454</u>

(b) Contingencies

At 30 June 2017 the Group had no significant contingent assets or liabilities (30 June 2016: \$3.16m liability).

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Note 15 Contributed equity

(a) Contributed equity of shareholders of the parent entity

		2017	2016
	Note	\$'000	\$'000
Opening balance at the beginning of the period		40,598	27,256
Issue of ordinary equity, net of transaction costs		—	13,342
Reallocation of capital to other stapled entity's capital ¹	15(b)	(35,234)	—
Closing balance at the end of the period		<u>5,364</u>	<u>40,598</u>

(b) Contributed equity of unitholders of other stapled entities

		2017	2016
	Note	\$'000	\$'000
Opening balance at the beginning of the period		—	—
Issue of ordinary equity		497,292	—
Less security issue costs		(7,320)	—
Reallocation of capital from the parent entity's capital ¹	15(a)	35,234	—
Closing balance at the end of the period		<u>525,206</u>	<u>—</u>

- 1 PHL and PT were stapled prior to the IPO in August 2016, however, for Australian Financial Services Licence reasons no capital was able to be allocated from PHL to PT until Propertylink Investment Management Limited, the Responsible Entity, was granted a retail Licence. Capital was reallocated from PHL to PT as part of the IPO restructuring process, and the amount reallocated was determined having regard to a number of factors, including the amount of capital invested by PT.

(c) Number of securities on issue

	2017	2016
	No. of securities	No. of securities
Opening balance at the beginning of the period	43,808,247	27,862,792
Issue of additional equity	558,972,083	15,945,455
Closing balance at the end of the period	<u>602,780,330</u>	<u>43,808,247</u>

Each stapled security ranks equally with all other stapled securities for the purposes of distributions and on termination of the Group.

Each stapled security entitles the holder to vote in accordance with the provisions of the Constitutions and the *Corporations Act 2001*.

(d) Initial public offer

On 15 August 2016, the Propertylink Group completed a series of transactions which resulted in the stapling of PHL, PT and PAIP to form the listed Propertylink Group. PHL and PT were previously stapled, and since 15 August 2016 a stapled security comprises one PHL share, one PT unit and one PAIP unit. The stapled securities cannot be traded or dealt with separately.

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During the IPO process PHL incurred transaction costs totalling \$24.199m. In accordance with Australian Accounting Standards, \$16.879m in costs have been charged to the Statement of Profit or Loss, and \$7.32m have been recognised as security issue costs in equity. PHL has re-charged \$7.32m in issue costs to PT (\$4.77m) and PAIP (\$2.55m) as capital raised was allocated to those two entities in those proportions.

As part of the IPO process, there were also a series of equity restructure steps required in order to ensure that the three entities could be stapled to form the listed Propertylink Group. Those steps included a capital reorganisation in the PAIP Group, the issue of securities in PHL and PT to PAIP existing investors, a capital reorganisation in PHL, a capital reorganisation in PT, and the recognition of a liability for a performance fee payable to PHL by the PAIP existing investors.

Note 16 Reserves

(a) Reserves

	<u>2017</u>	<u>2016</u>
	\$'000	\$'000
Asset revaluation reserve		
Opening balance at the beginning of the period	—	—
Changes in the fair value of leasehold buildings	<u>9,483</u>	—
Closing balance at the end of the period	<u>9,483</u>	—
Cash flow hedge reserve		
Opening balance at the beginning of the period	—	—
Changes in the fair value of cash flow hedges	<u>644</u>	—
Closing balance at the end of the period	<u>644</u>	—
Capital reserve		
Opening balance at the beginning of the period	(20,556)	—
Equity restructure	<u>(24,087)</u>	(20,556)
Closing balance at the end of the period	<u>(44,643)</u>	(20,556)
Total reserves	<u><u>(34,516)</u></u>	<u><u>(20,556)</u></u>

(b) Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve is used to record the fair value adjustment arising from revaluation of leasehold buildings classified as Property, plant and equipment in the Statement of Financial Position.

Cash flow hedge reserve

The cash flow hedge reserve is used to record the effective portion of changes in the fair value of derivatives that are designated as cash flow hedges.

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Capital reserve

The movement in the capital reserve during the 2017 year was the result of a series of equity restructuring steps required to staple PAIP to PHL and PT to enable the completion of the IPO on 15 August 2016. The 2016 equity restructure movement in the capital reserve resulted from the acquisition of a non-controlling interest (for further details, refer to Propertylink Group's 2016 Financial Statements).

Note 17 Working capital

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

(b) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Rent receivable	1,074	9
Less: provision for doubtful debts	(4)	—
Total rent receivables	<u>1,070</u>	<u>9</u>
Fee receivable	1,814	2,450
Distribution receivable	471	376
Other receivables	873	1,060
Deposits paid	244	86
Loans	—	27
Total current trade and other receivables	<u><u>4,472</u></u>	<u><u>4,008</u></u>

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2017**

**Notes to the Financial Statements (continued)
For the year ended 30 June 2017**

(c) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Trade payables	2,128	1,218
Other payables and accrued expenses	7,031	8,612
GST payable	1,156	288
Bonds payable	892	48
	<u>11,207</u>	<u>10,166</u>

Other Disclosures

In this section

This section includes other information that must be disclosed to comply with the Accounting Standards, the *Corporations Act 2001* or the Corporations Regulations.

Note 18 Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of the acquisition.

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Goodwill		
Cost	4,566	4,566
Intangible assets net carrying amount	4,566	4,566

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. An impairment loss is recognised in the Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount.

Management carry out a review of the recoverable amount of its goodwill at least annually. There has been no change in the carrying value of the goodwill as a result of the reviews.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2017**

**Notes to the Financial Statements (continued)
For the year ended 30 June 2017**

Note 19 Security-based payments

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Staff bonuses ¹	558	—
Directors' fees ²	260	—
Consulting fees ³	223	—
Executive KMP ⁴	842	—
	<u>1,883</u>	<u>—</u>

- 1 Staff were awarded bonus payments as a result of the performance fee earned. The bonus payments were partly cash and partly security based. This note details the security based bonus portion. The ordinary securities granted are escrowed until results for the 2017 financial year are released, and vest at that date provided staff remain employed by Propertylink.
- 2 Directors' fees of \$260,000 were generated in the form of fully vested ordinary securities for additional duties performed in relation to the IPO. These fees also included in Note 22(a) Key management personnel compensation.
- 3 Consulting fees of \$224,000 to Blue Gum Capital Pty Ltd, an entity associated with Anthony Ryan, were generated in the form of fully vested ordinary securities in relation to advice provided to PHL in the process of preparing for the IPO. These fees are also included in Note 22(b)(ii) Fees paid to key management personnel's related parties.
- 4 Executive KMP have rights to security based payments in certain performance and service related circumstances. For full details of these rights refer to the Remuneration Report.

Note 20 Auditors' remuneration

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Audit fees¹		
KPMG—audit and review of Financial Statements	425	—
KPMG—other assurance services	57	—
Bentleys—audit and review of Financial Statements	—	144
PwC Australia ² —audit and review of Financial Statements	17	8
Total audit fees	<u>499</u>	<u>152</u>
Transaction and other services fees		
KPMG—IPO related work	450	—
Bentleys—other	5	—
Total transaction and other services fees	<u>455</u>	<u>—</u>
Total audit, transaction and other services fees	<u>954</u>	<u>152</u>

- 1 2017 fees relate to the Propertylink Group whereas 2016 fee relate to the previously stapled PHL and PT Group (i.e. excluding PAIP).
- 2 Fees were paid to PwC Australia for the audit of a subsidiary with an Australian Financial Services Licence. KPMG will audit the subsidiary for FY2017.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
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**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
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**Notes to the Financial Statements (continued)
For the year ended 30 June 2017**

Note 21 Cash flow information

Reconciliation of net profit to net cash flows from operating activities

	<u>30-Jun-2017</u>	<u>30-Jun-2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Profit after income tax	77,086	8,330
<i>Adjustments to reconcile profit before tax to net cash flows</i>		
Valuation (gains) on investment property	(27,834)	(602)
Net gain on disposal of investment properties	(5,689)	—
Net loss on disposal of investments	438	—
Depreciation and amortisation expense	2,285	200
Amortisation and write off of borrowing costs	1,873	159
Amortisation of leasing costs	173	—
Straight-lining rental income adjustments	(1,697)	(11)
Straight-lining lease expense adjustments	1,883	—
Deferred tax credited to capitalised share issue costs	—	231
Valuation (gains)/losses on investment in joint ventures	(3,829)	(5,947)
	<u>(32,397)</u>	<u>(5,970)</u>
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in trade and other receivable	(464)	(2,172)
(Increase)/decrease in other assets	(1,546)	(53)
(Increase)/decrease in deferred tax assets	(4,435)	(603)
Increase in trade and other payables	17	7,995
Increase/(decrease) in income tax payable	3,383	(219)
Increase/(decrease) in provisions (excluding provision for dividend)	195	389
	<u>(2,850)</u>	<u>5,337</u>
Net cash flows from operating activities	<u>41,839</u>	<u>7,697</u>

Note 22 Related parties

(a) Key management personnel

Key management personnel compensation

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Short-term benefits	3,234	394
Long-term benefits	333	—
Post-employment benefits	114	—
Security-based payments	1,102	—
	<u>4,783</u>	<u>394</u>

The basis of amounts disclosed in FY2017 changed compared with amounts disclosed in FY2016 as a result of the IPO.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
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**Notes to the Financial Statements (continued)
For the year ended 30 June 2017**

Equity instruments disclosures relating to key management personnel

The relevant interest in PLG stapled securities held during the period by each key management personnel, including their personally related parties, are set out below:

	Opening balance 1-Jul-2016	Net acquisitions/ disposals	Performance rights granted	Closing balance 2017
Directors	16,680,863	4,276,670	898,877	21,856,410
Other key management personnel	180,500	559,143	—	739,643
Total	16,861,363	4,835,813	898,877	22,596,053

There were no loans with key management personnel or their related parties during the year ended 30 June 2017 and 30 June 2016.

(b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	2017 \$'000	2016 \$'000
i. Fee income from key management personnel's related parties		
Project management fees—Nix Anderson Pty Ltd (associated with Derek Nix) ¹ . . .	65	—
Rent received—Blue Gum Capital Pty Ltd (associated with Anthony Ryan)	55	—
	<u>120</u>	<u>—</u>
ii. Fees paid to key management personnel's related parties		
Management services—Echo Capital Holdings Trust (“ECHT”) ²	—	2,167
Project management fees—Nix Anderson Pty Ltd (associated with Derek Nix) ¹ . . .	57	119
Consulting fees—Blue Gum Capital Pty Ltd (associated with Anthony Ryan) ³	223	—
	<u>280</u>	<u>2,286</u>

- 1 Project management fees received from and paid to Nix Anderson Pty Ltd were for project management services provided on normal commercial terms and conditions.
- 2 Under arrangement in place in FY2016, ECHT provided management services to PHL. Stuart Dawes, Stephen Day and Peter McDonald are associated with ECHT.
- 3 Consulting fees paid to Blue Gum Capital Pty Ltd for advice to PHL in connection with the IPO.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2017**

**Notes to the Financial Statements (continued)
For the year ended 30 June 2017**

Note 23 Parent entity disclosures

The following information represents the standalone financial information for Propertylink (Holdings) Limited.

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	27,779	77,198
Non-current assets	5,589	3,950
TOTAL ASSETS	<u>33,368</u>	<u>81,148</u>
LIABILITIES		
Current liabilities	81,102	44,826
Non-current liabilities	31	19,233
TOTAL LIABILITIES	<u>81,133</u>	<u>64,059</u>
EQUITY		
Issued capital	5,364	40,500
Capital reserve	(25,110)	(20,556)
Retained earnings	(16,596)	(2,855)
Dividends provided	(11,423)	—
TOTAL EQUITY	<u>(47,765)</u>	<u>17,089</u>
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Profit after income tax	(15,498)	1,505
Total comprehensive income¹	<u>(15,498)</u>	<u>1,505</u>

1 Total comprehensive income for the year ended 30 June 2017 includes an expense of \$20.0m related to debt forgiveness of part of a loan to PT, and IPO costs of \$16.879m.

Note 24 Events after the reporting period

On 21 July 2017, settlement occurred on the sale of 320 Pitt Street, Sydney for a sale price of \$275m. The property was managed by the Group and was owned by Propertylink Office Partnership II (POP II) Trust in which the Group has a 5% interest. The property was the only asset of the POP II group. As a result of the sale, PHL as manager, became entitled to a performance fee of approximately \$17.5m. No part of this fee was accrued at 30 June 2017. PT will also receive its underlying 5% equity investment in POP II when the trust is wound up.

On 25 July 2017, settlement occurred on the sale of 90-110 Mills Road, Braeside, which was the only property asset of PHL Moelis Braeside Trust, in which the Group has a 10% interest. As a result of the sale PHL as manager became entitled to a performance fee of approximately \$1m, and PT will receive its 10% equity investment in the trust when it is wound up.

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2017**

**Notes to the Financial Statements (continued)
For the year ended 30 June 2017**

On 15 July 2017, PAIP settled the sale of 150-156 McCredie Road, Smithfield, for a contract price of \$23m, as a result of a sale contract entered into in June 2017.

During July 2017, PT invested \$20m in acquiring additional units in Propertylink Australian Industrial Partnership II (PAIP II), taking its equity investment in PAIP II to approximately \$25m, which equates to a 17.13% economic interest.

Since the end of the year, other than the matters disclosed above, the Directors are not aware of any matter or circumstance not otherwise dealt with in the Directors' Report or the Financial Statements that has significantly or may significantly affect the operations of the Group, or state of the Group's affairs in future financial periods.

Note 25 Business combinations

On 15 August 2016 the Propertylink Group completed an initial public offering (IPO), resulting in a listing of its securities on the ASX. On that date the units in PAIP were stapled to the units in PT and the shares in PHL, resulting in the consolidation of PAIP with a corresponding 100% non-controlling interest.

PAIP generates a stable rental income from the ownership of a diversified portfolio of industrial investment properties in Australia. Stapling of PAIP to PHL and PT on 15 August 2016 allowed the Group to achieve its key objective of listing on the ASX so as to provide securityholders with superior, risk adjusted returns.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
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**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
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**Notes to the Financial Statements (continued)
For the year ended 30 June 2017**

Information required to be disclosed by Australian Accounting Standards is already included in these Financial Statements, and the following additional disclosure completes the information:

	PAIP from 15-Aug-2016 to 30-Jun-2017 \$'000	Pro-forma PLG Group ² from 1-Jul-2016 to 30-Jun-2017 \$'000
Revenue		
Property revenue	56,774	65,336
Net fair value gain on investment property	27,442	27,604
Other income	5,951	51,939
Total revenue and other income	90,167	144,879
Expenses		
Property expenses	(15,977)	(18,416)
Finance costs	(9,645)	(14,204)
Other expenses	(6,909)	(31,830)
Total expenses	(32,531)	(64,450)
Profit after income tax¹	57,636	78,329
Other comprehensive income		
Changes in the fair value of cash flow hedges	644	644
Revaluation gains on property, plant and equipment	9,483	9,686
Total comprehensive income	67,763	88,659

1 No income tax applicable to PAIP.

2 These pro-forma figures include the PAIP revenue and expenses from 1 July 2016 to 30 June 2017 as though PAIP was a group member for the entire twelve month period.

Key assets and liabilities of PAIP at the date of business combination

	As at 15 August 2016 \$'000
Assets acquired	
Investment properties	583,978
Property, plant and equipment	91,703
Cash and other current assets	20,949
Total assets	696,630
Liabilities assumed	
Creditors and other current liabilities	12,200
Bank loans	337,735
Other loans	346,695
Total liabilities	696,630
Net assets acquired through stapling arrangements	—

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2017**

**Notes to the Financial Statements (continued)
For the year ended 30 June 2017**

Note 26 Interests in subsidiaries

The subsidiaries listed below have either share capital consisting solely of ordinary shares or units in unit trusts, which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business and country of incorporation or registration is Australia.

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

	<u>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>
	%	%		%	%
Parent Entity:					
Propertylink (Holdings) Ltd					
(stapled entities —					
Propertylink Trust and					
Propertylink Australian					
Industrial Partnership)					
Subsidiaries of Propertylink			Controlled entities of		
 (Holdings) Limited			 Propertylink Australian		
			 Industrial Partnership		
Propertylink Trust	0%	0%	PHL Hold Trust	100%	—
	(100% NCI)	(100% NCI)			
Propertylink Australian	0%		PHL Hold Trust 2	100%	—
Industrial Partnership	(100% NCI)	—	PHL NW Trust	100%	—
BRV Nominees Pty Ltd	—	100%			
Propertylink Funds			PHL V Trust	100%	—
Management Pty Ltd	100%	100%			
Propertylink Admin			PHL Q Trust	100%	—
Management Pty Ltd	100%	100%	PHL DX Trust	100%	—
Propertylink Capital Pty Ltd . .	100%	100%			
Propertylink Services			PHL MM Trust	100%	—
Management Pty Ltd	100%	100%			
Propertylink Investment			PHL U Trust	100%	—
Management Pty Ltd	100%	100%			
Infralink (Australasia)			PHL N Pike Street Trust	100%	—
Pty Ltd	100%	100%	PAIP N Airds Road Trust . . .	100%	—
MITSA Pty Ltd	100%	100%	PAIP N Beaumont Road Trust		
Propertylink (Australasia)			No 2	100%	—
Pty Ltd	100%	100%	PAIP N Beaumont Road Trust		
Propertylink WIM Pty Ltd	100%	100%	No 3	100%	—
			PAIP N Beaumont Road Trust		
Propertylink PAIP Pty Ltd	100%	100%	No 11	100%	—
			PAIP N Beaumont Road Trust		
Propertylink Nominees			No 12	100%	—
Pty Ltd	100%	100%	PAIP N Beaumont Road Trust		
BBR 15 Pty Ltd	100%	100%	No 15	100%	—

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
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**Notes to the Financial Statements (continued)
For the year ended 30 June 2017**

	<u>2017</u>	<u>2016</u>		<u>2017</u>	<u>2016</u>
	%	%		%	%
PAIP II MA Nominees			PAIP N Boundary Road		
Pty Ltd	100%	100%	Trust	100%	—
PAIP II BA Nominees			PAIP N Brunker Road		
Pty Ltd	100%	100%	Trust	100%	—
PEP Nominees I Pty Ltd	100%	—	PAIP N Gundah Road		
			Trust	100%	—
PEP Nominees II Pty Ltd	100%	—	PAIP N Mandarin Street		
			Trust	100%	—
PEP Nominees III Pty Ltd	100%	—	PAIP N McCredie Road		
			Trust	100%	—
			PAIP N Newton Road Trust		
			No 1	100%	—
Controlled entities of			PAIP N Newton Road Trust		
 Propertylink Trust			No 2	100%	—
PAIP PT	—	100%	PAIP N Niagara Close		
			Trust	100%	—
PT Moelis Trust	100%	100%	PAIP N Orielson Road		
			Trust	100%	—
Propertylink Office Partnership			PAIP N Pike Street Trust		
Trust	100%	100%	No 2	100%	—
POP 73 Miller Trust	100%	100%	PAIP N Rodborough Road		
			Trust No 1	100%	—
POP II PT	100%	100%	PAIP N Rodborough Road		
			Trust No 2	100%	—
PAIP II PT	100%	100%	PAIP N Sylvania Way		
			Trust	100%	—
POP III PT	100%	100%	PAIP V Cherry Lane Trust ...	100%	—
PEP PT	100%	—	PAIP V Lakes Drive Trust ...	100%	—
50 Ann PEP PT	100%	—	PAIP V Main Road Trust	100%	—
			PAIP V Mt Derrimut Road		
			Trust	100%	—
			PAIP V National Boulevard		
			Trust	100%	—
			PAIP V Ricketts Road		
			Trust	100%	—
			PAIP V Strezlecki Avenue		
			Trust	100%	—
			PAIP V Taryn Drive Trust ...	100%	—
			PAIP V Whiteside Road		
			Trust	100%	—
			PAIP V Woodlands Drive		
			Trust	100%	—
			PAIP WA Leadership Way		
			Trust	100%	—
			PAIP WA McDowell Street		
			Trust	100%	—
			PAIP WA Modal Crescent		
			Trust	100%	—

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2017**

**Notes to the Financial Statements (continued)
For the year ended 30 June 2017**

Note 27 Company details

The registered office of the company is:

Level 29, 20 Bond Street

SYDNEY NSW 2000

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2017**

Directors' Declaration

In accordance with a resolution of Propertylink (Holdings) Limited, the Directors declare that:

1. The Financial Statements and notes, as set out on pages 45 to 81 (Note), are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Australian Accounting Standards, which, as stated in the "About this Report" section of the Financial Statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (b) give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the consolidated group.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Peter Lancken

Chairman

14 August 2017



Stuart Dawes

Chief Executive Officer

14 August 2017

Note:

Page references above refer to the original audited accounts. The equivalent pages in this appendix are II-A-87 to II-A-137.

THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2017



Independent Auditor's Report

To the stapled security holders of Propertylink Group

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Propertylink Group (the Stapled Group Financial Report).

In our opinion, the accompanying Stapled Group Financial Report is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Stapled Group's** financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** of the Stapled Group comprises:

- Consolidated statement of financial position as at 30 June 2017
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Stapled Group** consists of Propertylink (Holdings) Limited and the entities it controlled at the year-end or from time to time during the financial year, Propertylink Trust and the entities it controlled at the year-end or from time to time during the financial year and Propertylink Australian Industrial Partnership and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Stapled Group and Propertylink (Holdings) Limited in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE THREE YEARS ENDED 30 JUNE 2018

THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR ENDED JUNE 30, 2017



Key Audit Matters

The **Key Audit Matter** we identified for the Stapled Group is:

- Valuations of property assets held as Investment Property, Property, Plant & Equipment or through Equity Accounted Investments

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuations of property assets held as Investment Property, Property, Plant & Equipment or through Equity Accounted Investments

Refer to Note 8 'Investment Properties' (A\$572.76m), Note 9 'Property, Plant & Equipment' (A\$98.05m) and Note 11 'Equity Accounted Investments' (A\$63.35m) to the Financial Report

The key audit matter	How the matter was addressed in our audit
The Stapled Group's investment in property assets comprise freehold property held as Investment Property or leasehold property held as Property, Plant & Equipment, and indirectly, through investment in managed funds, which in turn own property. The Stapled Group is required to assess the fair value of all property assets. The valuation of property assets is a key audit matter as they: • are significant in value, • contain a number of significant assumptions which require estimation for each individual property. These significant assumptions include: • Earnings capitalisation rates, • Discount rates, • Market rents, • Vacancy levels, • Projections of capital expenditure, • Leasing incentives. These estimates lead to additional audit effort often due to the large number of differing assumptions and valuation models, across varying asset classes and geographies. Valuations of property assets are performed at each reporting period using the Stapled Group's internal valuation methodologies or by engaging external valuation experts. External valuations are obtained on property assets on a rotational basis at least once every two years with internal valuations performed when external valuations are not obtained.	Our procedures included: • Understanding the Stapled Group's processes regarding the valuation of property assets and testing controls for preparing (for internal), reviewing and approving the Stapled Group's valuations based on Stapled Group policies, and • Assessing the methodologies used in the valuations of property assets for consistency with accounting standards and Stapled Group policies. For a sample of properties in significant asset classes and across differing models: • Assessing the scope, competence and objectivity of external independent experts engaged by the Stapled Group and internal valuers; • Challenging key assumptions including earnings capitalisation rates, discount rates, market rent, vacancy levels, projections of capital expenditure and leasing incentives by comparing to commentary published by industry experts, recent market transactions and/or our knowledge of historical performance of the asset.

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2017**



Other Information

Other Information is financial and non-financial information in Propertylink Group's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Propertylink (Holdings) Limited are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors of Propertylink (Holdings) Limited are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Stapled Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Stapled Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2017**



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Propertylink (Holdings) Limited for the year ended 30 June 2017, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Propertylink (Holdings) Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 33 to 43 of the Directors' report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.


KPMG



Steven Gatt
Partner

Sydney
14 August 2017

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2018**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME**

For the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Revenue			
Property revenue	2(b)	65,141	57,387
Management fee revenue	2(c)	31,484	37,154
Share of net profit of joint ventures	11(b)	19,805	8,536
Other income			
Gain on disposal of investment property		75	5,689
Net fair value gain on investment property	8(a)	57,893	27,834
Other income		661	379
Total revenue and other income		175,059	136,979
Expenses			
Initial public offering cost		—	(16,879)
Property expenses	3	(18,944)	(15,980)
Employment and management costs		(11,437)	(10,401)
Finance costs	4	(9,936)	(9,983)
Occupancy costs		(996)	(745)
Travel expenses		(589)	(625)
Legal and consultancy fees		(752)	(746)
Depreciation and amortisation expense		(104)	(145)
Administration and other expenses		(3,561)	(2,289)
Total expenses		(46,319)	(57,793)
Profit before income tax		128,740	79,186
Tax expense	5(b)	(4,813)	(2,100)
Profit after income tax		123,927	77,086
Other comprehensive income:			
Changes in the fair value of cash flow hedges	16	(346)	644
Revaluation gains on property, plant and equipment	9(a)	19,258	9,483
Total comprehensive income		142,839	87,213
Profit after income tax attributable to:			
Shareholders of the parent entity		11,175	(15,432)
Unitholders of other stapled entities (non-controlling interests)		112,752	92,518
		123,927	77,086
Total comprehensive income attributable to:			
Shareholders of the parent entity		11,175	(15,432)
Unitholders of other stapled entities (non-controlling interests)		131,664	102,645
		142,839	87,213
		Cents	Cents
Earnings per share on profit/(loss) attributable to shareholders of the parent entity			
Basic earnings/(loss) per share	6	1.86	(2.90)
Diluted earnings/(loss) per share	6	1.85	(2.90)
Earnings per stapled security on profit attributable to stapled security holders			
Basic earnings per security	6	20.61	14.48
Diluted earnings per security	6	20.54	14.48

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2018**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	2018 \$'000	2017 \$'000
Assets			
Current assets			
Cash and cash equivalents	17(a)	17,233	20,002
Trade and other receivables	17(b)	3,440	4,472
Prepayments		2,448	1,709
Investment properties held for sale	10	—	31,550
Total current assets		<u>23,121</u>	<u>57,733</u>
Non-current assets			
Equity accounted investments	11(b)	100,855	63,345
Investment properties	8(a)	696,200	572,756
Property, plant and equipment	9(a)	113,112	98,054
Derivative financial instruments	12(c)	299	644
Deferred tax assets	5(c)	4,408	5,222
Intangible assets	18	4,566	4,566
Total non-current assets		<u>919,440</u>	<u>744,587</u>
Total assets		<u>942,561</u>	<u>802,320</u>
Liabilities			
Current liabilities			
Trade and other payables	17(c)	19,308	11,207
Current tax liabilities		2,358	3,793
Employee benefits		543	466
Total current liabilities		<u>22,209</u>	<u>15,466</u>
Non-current liabilities			
Employee benefits		357	283
Borrowings	13	288,657	255,926
Total non-current liabilities		<u>289,014</u>	<u>256,209</u>
Total liabilities		<u>311,223</u>	<u>271,675</u>
Net assets		<u>631,338</u>	<u>530,645</u>
Equity			
Equity attributable to shareholders of the parent entity			
Issued capital	15(a)	5,364	5,364
Reserves	16	(23,673)	(25,110)
Retained earnings/(accumulated losses)		(15,752)	(26,927)
Parent entity shareholders' interest		<u>(34,061)</u>	<u>(46,673)</u>
Equity attributable to unitholders of other stapled entities			
Issued capital	15(b)	525,140	525,206
Reserves	16	9,506	(9,406)
Retained earnings/(accumulated losses)		130,753	61,518
Other stapled unitholders' interest		<u>665,399</u>	<u>577,318</u>
Total equity		<u>631,338</u>	<u>530,645</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR ENDED JUNE 30, 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Note	Attributable to shareholders of the parent entity				Attributable to unitholders of other stapled entities			
		Contributed equity	Reserves	Retained earnings (accumulated losses)	Total	Contributed equity	Reserves	Retained earnings (accumulated losses)	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2016		40,598	(20,556)	(1,828)	18,214	—	—	7,781	7,781
Comprehensive income for the year		—	—	(15,432)	(15,432)	—	10,127	92,518	102,645
Capital reallocation	15(a)	(35,234)	—	—	(35,234)	35,234	—	—	35,234
Securities issued during the year	15(b)	—	—	—	—	497,292	—	—	497,292
Securities issue costs	15(b)	—	—	—	—	(7,320)	—	—	(7,320)
Equity restructure	16(a)	—	(4,554)	—	(4,554)	—	(19,533)	(1,424)	(20,957)
Dividends and distributions paid or provided for	7	—	—	(9,667)	(9,667)	—	—	(37,357)	(37,357)
Balance at 30 June 2017		<u>5,364</u>	<u>(25,110)</u>	<u>(26,927)</u>	<u>(46,673)</u>	<u>525,206</u>	<u>(9,406)</u>	<u>61,518</u>	<u>577,318</u>
Balance at 1 July 2017		<u>5,364</u>	<u>(25,110)</u>	<u>(26,927)</u>	<u>(46,673)</u>	<u>525,206</u>	<u>(9,406)</u>	<u>61,518</u>	<u>577,318</u>
Comprehensive income for the year		—	—	11,175	11,175	—	18,912	112,752	131,664
Securities issue costs	15(b)	—	—	—	—	(66)	—	—	(66)
Purchase of securities, net of transaction costs	16(a)	—	(1,529)	—	(1,529)	—	—	—	—
Security-based payments expense	16(a)	—	2,966	—	2,966	—	—	—	—
Dividends and distributions paid or provided for	7	—	—	—	—	—	—	(43,517)	(43,517)
Balance at 30 June 2018		<u>5,364</u>	<u>(23,673)</u>	<u>(15,752)</u>	<u>(34,061)</u>	<u>525,140</u>	<u>9,506</u>	<u>130,753</u>	<u>665,399</u>
									<u>631,338</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2018**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Note	<u>2018</u> \$'000	<u>2017</u> \$'000
Cash flows from operating activities			
Receipts from customers		112,884	107,135
Interest received		119	50
Payments to suppliers and employees		(29,679)	(54,084)
Finance costs paid		(9,577)	(8,110)
Income tax paid		(5,434)	(3,152)
Net cash provided by operating activities	21	<u>68,313</u>	<u>41,839</u>
Cash flows from investing activities			
Proceeds from sale of investments		6,481	23,904
Proceeds from sale of investment properties		32,259	49,190
Capital expenditure on investment properties		(12,825)	(17,624)
Capital expenditure on leasehold buildings		(537)	(106)
Loan payments to related parties		—	(3,540)
Payment for investment in joint ventures		(24,712)	(43,462)
Payment for acquisition of investment properties		(58,997)	—
Purchase of furniture, plant and equipment		(11)	(37)
Net cash (used by)/provided by investing activities		<u>(58,342)</u>	<u>8,325</u>
Cash flows from financing activities			
Proceeds from issue of securities		—	497,292
Securities issue costs		(66)	(7,320)
Equity restructuring payments		—	(24,087)
Proceeds from borrowings		59,372	291,640
Repayment of borrowings		(27,000)	(743,311)
Purchase of securities for security-based payments plans		(1,529)	—
Dividends and distributions paid		(43,517)	(48,335)
Net cash used by financing activities		<u>(12,740)</u>	<u>(34,121)</u>
Net (decrease)/increase in cash and cash equivalents		(2,769)	16,043
Cash and cash equivalents at the beginning of financial year		20,002	3,959
Cash and cash equivalents at the end of the year	17(a)	<u>17,233</u>	<u>20,002</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

ABOUT THIS REPORT

IN THIS SECTION

This section sets out the basis upon which the Group's Financial Statements are prepared.

Specific accounting policies are described in their respective notes to the Financial Statements. This section also shows information on new or amended accounting standards and their impact on the financial position and performance of the Group.

(A) BASIS OF PREPARATION

Propertylink Group stapled securities are quoted on the Australian Securities Exchange under the "PLG" code and comprise one share in Propertylink (Holdings) Limited (PHL) and one unit in each of Propertylink Australian Industrial Partnership (PAIP) and Propertylink Trust (PT). In accordance with Australian Accounting Standards, the entities within the Group must be consolidated for financial reporting purposes. The parent entity and deemed acquirer of PAIP and PT is PHL. These Financial Statements therefore represent the consolidated results of PHL, and include PHL and its controlled entities, PAIP and its controlled entities and PT and its controlled entities (together the "Group"). Equity attributable to PAIP and PT form a non-controlling interest. The amount of non-controlling interest attributable to stapled securityholders is disclosed in the Statement of Financial Position.

On 15 August 2016 the Group became listed on the ASX following the successful completion of an IPO. Therefore, comparative figures in these annual Financial Statements include profits generated by the unlisted stapled PHL and PT group from 1 July 2016 to 15 August 2016, and profits generated by the listed Propertylink Group from 16 August to 30 June 2017.

Each entity forming part of the Group continues as a separate legal entity in its own right under the *Corporations Act 2001* and is therefore required to comply with the reporting and disclosure requirements under the *Corporations Act 2001* and Australian Accounting Standards.

The financial report was authorised for issue by directors on 14 August 2018.

These general purpose Financial Statements have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Amounts in these Financial Statements have been presented in Australian dollars and rounded off in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 to the nearest thousand dollars, unless otherwise indicated.

The Financial Statements except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018 (continued)

selected non-current assets, financial assets and financial liabilities. Refer to the specific accounting policies within the notes to the Financial Statements for the basis of valuation of assets and liabilities measured at fair value.

These Financial Statements are prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. Under their respective constitutions, PT, PHL and PAIP are entitled to have regard to the interests of all members of the stapled group. Accordingly, each member has provided the other members with a letter of financial support.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements may require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Judgements and estimates which are material to the financial report are discussed in the following notes:

● Investment properties	Note 8
● Leasehold buildings	Note 8, 9
● Derivative financial instruments	Note 12
● Security-based payments	Note 19

(B) PRINCIPLES OF CONSOLIDATION

The consolidated Financial Statements incorporate all of the assets, liabilities and results of Propertylink Group and its subsidiaries.

(I) CONTROLLED ENTITIES

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 25. The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018 (continued)

a subsidiary is discontinued from the date that control ceases. Inter-company transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

(II) JOINT ARRANGEMENTS

Investments in joint arrangements are classified as joint ventures based on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

JOINT VENTURES

Investments in joint ventures are accounted for using the equity method. Under this method, the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the joint venture. In addition, the Group's share of the profit or loss of the joint venture is included in the Group's profit or loss.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture. Upon the joint venture subsequently making profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(C) NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

Certain new accounting standards and interpretations have been published that are not mandatory for the financial period ended 30 June 2018 but are available for early adoption. They have not been applied in preparing these Financial Statements. The Group's assessment of the impact of these new standards and interpretations is set out below:

**AASB 9 *FINANCIAL INSTRUMENTS* (EFFECTIVE APPLICATION FOR THE GROUP IS
1 JULY 2018).**

AASB 9 *Financial Instruments* addresses the classification, measurement and recognition of financial assets, financial liabilities and hedging. The standard becomes mandatory for the June 2019 financial year, and will be applied prospectively.

AASB 9 introduces the concept that if a non-substantial modification is made to a borrowing facility, the change in present value of the expected cash flows of that facility is recognised immediately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. In analysing each of the existing facilities at 30 June 2018, there has been one non-substantial debt modification. The impact of this will be recognised in opening retained earnings in the 30 June 2019 Financial Statements. This will not have a material impact to the Group.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018 (continued)

AASB 9 also introduces the expected credit loss model assessing impairment of financial instruments, which will result in a change in how the impairment of trade receivables is assessed. This will not have a material impact to the Group.

AASB 15: REVENUE FROM CONTRACTS WITH CUSTOMERS (EFFECTIVE APPLICATION FOR THE GROUP IS 1 JULY 2018).

AASB 15 *Revenue from Contracts with Customers* provides a new five step model for recognising revenue earned from a contract with a customer and will replace the existing AASB 118 *Revenue* and AASB111 *Construction Contracts*. The standard becomes mandatory for the June 2019 financial year. Based on the analysis performed under AASB 15, it is expected that there will be no material impact to the Group. The key change will be added disclosure in the June 2019 Consolidated Statement of Profit or Loss and Other Comprehensive Income to separate Revenue from property activities from Revenue from services, with comparative disclosures for June 2018.

AASB 16: LEASES (EFFECTIVE APPLICATION FOR THE GROUP IS 1 JULY 2019).

AASB 16 *Leases* provides a new model for accounting for leases. The standard becomes mandatory for the June 2020 financial year. Early adoption is permitted under certain circumstances. Management are in the process of performing their implementation and impact assessment of the standard.

(D) NOTES TO THE FINANCIAL STATEMENTS

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important in understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business;
- it relates to an aspect of the Group's operations that is important to its future performance.

The notes are organised into the following sections:

<u>Group performance</u>	<u>Property portfolio assets</u>	<u>Capital and financial risk management and working capital</u>	<u>Other disclosures</u>
1. Operating segments	8. Investment properties	12. Capital and financial risk management	18. Intangible assets
2. Revenue	9. Property, plant & equipment	13. Borrowings	19. Security-based payments
3. Property expenses	10. Non-current assets classified as held for sale	14. Commitments and contingencies	20. Auditors' remuneration

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018 (continued)

<u>Group performance</u>	<u>Property portfolio assets</u>	<u>Capital and financial risk management and working capital</u>	<u>Other disclosures</u>
4. Finance costs	11. Equity accounted investments	15. Contributed equity	21. Cash flow information
5. Taxation		16. Reserves	22. Related parties
6. Earnings per stapled security		17. Working capital	23. Parent entity disclosures
7. Dividends and distributions			24. Events after the reporting period
			25. Interests in subsidiaries
			26. Company details

GROUP PERFORMANCE

IN THIS SECTION

This section explains the results and performance of the Group. It provides additional information about those individual line items in the Financial Statements that the Directors consider most relevant in the context of the operations of the Group.

NOTE 1 OPERATING SEGMENTS

(A) DESCRIPTION OF SEGMENTS

The Board of Directors has been identified as the Group's chief operating decision maker (CODM) as they are responsible for the strategic decision making within the Group. The Group's operating segments have been determined based on the internal information that is provided to the CODM and which is used to make strategic decisions. Refer to the table below for a brief description of the Group's operating segments.

<u>Segment</u>	<u>Description</u>
Property investment	Acquires, improves and leases industrial property, and co-invests in industrial and commercial property, both within the geographical location of Australia.
Management services	Fund and property management services for managed assets, and property management services for owned assets, within the geographical location of Australia.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018 (continued)

(B) SEGMENT INFORMATION

Information related to each reporting segment for FY2018 is set out below. Segment profit (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

SEGMENT PROFIT AND LOSS

<u>Year ended 30 June 2018</u>	<u>Property investments</u>	<u>Management services</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Revenue			
Operating revenue	84,714	31,484	116,198
Net fair value gain on investment property	57,893	—	57,893
Other income	651	—	651
Segment revenue and other income	<u>143,258</u>	<u>31,484</u>	<u>174,742</u>
Reconciliation to statutory revenue and other income:			
Other income			317
Total revenue and other income			<u>175,059</u>
Expenses			
Property expenses	(18,944)	—	(18,944)
Other operating expenses	(1,753)	—	(1,753)
Finance costs	(9,929)	—	(9,929)
Total segment expenses	<u>(30,626)</u>	<u>—</u>	<u>(30,626)</u>
Segment profit before income tax	<u>112,632</u>	<u>31,484</u>	<u>144,116</u>
Reconciliation to statutory profit after tax:			
Employee benefits expenses			(10,444)
Other operating expenses			(5,138)
Finance costs and depreciation expense			(111)
Tax expense			(4,813)
Profit after income tax attributable to owners of the stapled securities			<u>123,927</u>

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2018**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018 (continued)

<u>Year ended 30 June 2017</u>	<u>Property investments</u>	<u>Management services</u>	<u>Total</u>
	\$'000	\$'000	\$'000
Revenue			
Operating revenue	65,603	37,154	102,757
Net fair value gain on investment property	27,834	—	27,834
Other income	5,514	2	5,516
Segment revenue and other income	<u>98,951</u>	<u>37,156</u>	<u>136,107</u>
Reconciliation to statutory revenue and other income:			
Other income			872
Total revenue and other income			<u>136,979</u>
Expenses			
Property expenses	(15,980)	—	(15,980)
Other operating expenses	(810)	(140)	(950)
Finance costs	(9,645)	—	(9,645)
Total segment expenses	<u>(26,435)</u>	<u>(140)</u>	<u>(26,575)</u>
Segment profit before income tax	<u>72,516</u>	<u>37,016</u>	<u>109,532</u>
Reconciliation to statutory profit after tax:			
Initial public offering cost			(16,879)
Employee benefits expenses			(9,855)
Other operating expenses			(4,001)
Finance costs and depreciation expense			(483)
Tax expense			(2,100)
Profit after income tax attributable to owners of the stapled securities			<u>77,086</u>

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018 (continued)

SEGMENT ASSETS AND LIABILITIES

<u>As at 30 June 2018</u>	<u>Property investments</u>	<u>Management services</u>	<u>Total</u>
	\$'000	\$'000	\$'000
Assets			
Equity accounted investments	100,855	—	100,855
Investment properties	696,200	—	696,200
Property, plant and equipment	112,750	—	112,750
Other assets	18,494	878	19,372
Total segment assets	928,299	878	929,117
Reconciliation of segment assets to the Statement of Financial Position			
Cash and cash equivalents			2,889
Receivables and prepayments			434
Intercompany receivables			725
Deferred tax assets			4,408
Intangible assets			4,566
Other plant and equipment			362
Total assets			942,561
Total segment liabilities	250,744	237	250,981
Reconciliation of segment liabilities to the Statement of Financial Position			
Intercompany payables			56,984
Other liabilities			3,258
Total liabilities			311,223
Segment net assets	677,555	641	678,196

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For the year ended 30 June 2018 (continued)

<u>As at 30 June 2017</u>	<u>Property investments</u>	<u>Management services</u>	<u>Total</u>
	\$'000	\$'000	\$'000
Assets			
Equity accounted investments	63,345	—	63,345
Investment properties	572,756	—	572,756
Investment properties held for sale	31,550	—	31,550
Property, plant and equipment	97,600	—	97,600
Other assets	18,407	2,353	20,760
Total segment assets	783,658	2,353	786,011
Reconciliation of segment assets to the Statement of Financial Position			
Cash and cash equivalents			5,275
Receivables and prepayments			791
Deferred tax assets			5,222
Intangible assets			4,567
Other plant and equipment			454
Total assets			802,320
Total segment liabilities	206,343	609	206,952
Reconciliation of segment liabilities to the Statement of Financial Position			
Intercompany payables			60,180
Other liabilities			4,543
Total liabilities			271,675
Segment net assets	577,315	1,744	579,059

NOTE 2 REVENUE

(A) REVENUE RECOGNITION

All revenue is stated net of the amount of goods and services tax.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor, it has pricing latitude and is also exposed to credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

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RENTAL INCOME

The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss.

Initial direct costs incurred in negotiating and arranging an operating lease are capitalised, then recognised as an expense over the lease term on the same basis as the lease income.

LEASE INCENTIVES

Prospective lessees may be offered incentives as an inducement to enter into non-cancellable operating leases. These incentives may take various forms including rent-free periods, upfront cash payments, or a contribution to certain lessee costs such as fitout costs. Incentives are capitalised and amortised on a straight-line basis over the lease term as a reduction in rental income. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, it is reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the consolidated statement of profit or loss when the right to receive them arises.

**SERVICE CHARGES, MANAGEMENT CHARGES AND OTHER OUTGOINGS
RECOVERABLE FROM TENANTS**

Income arising from expenses recharged to tenants is recognised in the period in which the compensation becomes receivable and is classified as outgoings recovery income.

MANAGEMENT FEE INCOME

Propertylink has contractual entitlements to management fee income, which are recognised as follows:

- Performance fees are generally only entitled to be charged on the sale of all assets of a fund, so such fees are only recognised when all assets have been sold and the Group is entitled to charge fees;
- Acquisition and other transaction related fees are recognised when the service has been provided and the Group is entitled to charge fees; and
- Investment and property management services are provided on a monthly basis and revenue is recognised each month.

INTEREST INCOME

Interest income is recognised as it accrues using the effective interest rate method.

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For the year ended 30 June 2018 (continued)

(B) PROPERTY REVENUE

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Rental income	53,371	45,790
Outgoings recovery income	10,258	11,134
Straight-lining of lease incentives	—	264
Make good recovery	1,512	199
Total property revenue	<u>65,141</u>	<u>57,387</u>

(C) FEES AND OTHER INCOME

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Management fee income:		
—Performance ¹	22,273	25,159
—Acquisitions	704	2,662
—Investment management	4,555	4,830
—Property management	3,476	3,577
—Other property services	476	926
Total management fee revenue	<u>31,484</u>	<u>37,154</u>

- ¹ Investment mandates generally allow for a performance fee to be paid in the event of investment performance above minimum hurdle rates. During the year performance fees were derived from PHL Moelis Braeside Trust, Propertylink Office Partnership II and Propertylink Office Partnership investors.

NOTE 3 PROPERTY EXPENSES

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Council rates and land tax	4,506	4,355
Repairs, maintenance and utilities	4,727	3,805
Ground lease	2,718	2,406
Property management expenses	2,515	2,046
Depreciation	2,748	2,140
Property insurance costs	679	678
Other	1,051	550
Total property expenses	<u>18,944</u>	<u>15,980</u>

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For the year ended 30 June 2018 (continued)

NOTE 4 FINANCE COSTS

Finance costs include interest, amortisation of borrowing costs incurred in connection with arrangement of borrowings and realised gains and losses on interest rate swaps. Borrowing costs are expensed as incurred unless they relate to qualifying assets.

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Interest on bank loans	9,545	8,004
Interest on other loans	—	81
Borrowing costs ¹	391	1,898
Total finance costs	<u>9,936</u>	<u>9,983</u>

- 1 Borrowing costs for the year ended 30 June 2017 include \$1,555,096 in unamortised borrowing costs incurred to establish pre IPO facilities for PHL and PAIP. The establishment of a new facility at the time of the IPO resulted in these costs being written off.

NOTE 5 TAXATION

Most of the Group's profit is earned by trusts which are not subject to taxation. Income from the trusts is instead attributed to unitholders who pay income tax at their marginal tax rates. Income tax is in respect of Propertylink (Holdings) Ltd and its subsidiaries only.

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Current and deferred income tax expense (income) is charged or credited outside the profit and loss when the tax relates to items that are recognised outside the profit and loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

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For the year ended 30 June 2018 (continued)

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can't be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(A) INCOME TAX EXPENSE/(BENEFIT):

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Current tax expense	(3,999)	(6,634)
Deferred tax (expense)/benefit	(814)	4,534
Total tax expense	<u>(4,813)</u>	<u>(2,100)</u>

**(B) RECONCILIATION OF INCOME TAX (EXPENSE)/BENEFIT TO PRIMA FACIE
TAX PAYABLE**

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Profit before income tax	128,740	79,186
Non-taxable profit attributable to Trusts	(112,748)	(92,518)
Profit/(loss) before income tax generated by PHL Group	15,992	(13,332)
Prima facie tax credit/(expense) at the Australian tax rate of 30%	(4,798)	4,000
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income</i>		
Non deductible items		
—Loan forgiven to PT	—	(6,000)
—Entertainment of clients and employees	(16)	(19)
—Adjustments in respect of prior year	—	(81)
Income tax expense	<u>(4,813)</u>	<u>(2,100)</u>

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018 (continued)

(C) DEFERRED TAX ASSETS

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
The balance comprises temporary differences attributable to:		
Employee provisions	1,258	189
Initial public offering cost ¹	3,038	4,051
Other	112	982
Total deferred tax assets	<u>4,408</u>	<u>5,222</u>
Movement		
Opening balance at the beginning of the year	5,222	787
Movement in deferred tax asset arising from temporary differences	(814)	4,435
Closing balance at the end of the year	<u>4,408</u>	<u>5,222</u>

¹ Initial public offering costs are amortised over 5 years.

NOTE 6 EARNINGS PER SECURITY

Earnings per security are determined by dividing the net profit attributable to shareholders of the parent and security holders of the Group by the weighted average number of ordinary securities outstanding during the period. Diluted earnings per security are adjusted from the basic earnings per security by taking into account the impact of dilutive potential securities. For the purposes of calculating earnings per security, securities held by the Propertylink Employee Incentive Plan are treated as treasury securities and excluded from securities on issue.

(A) NET PROFIT USED IN CALCULATING BASIC AND DILUTED EARNINGS PER SECURITY

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Profit/(loss) attributable to shareholders of the parent entity	11,175	(15,432)
Profit attributable to stapled securityholders	123,927	77,086

(B) WEIGHTED AVERAGE NUMBER OF SECURITIES USED AS A DENOMINATOR

	<u>2018</u>	<u>2017</u>
	<u>No. of securities</u>	<u>No. of securities</u>
Weighted average number of ordinary stapled securities used in calculation of basic earnings per security	601,320,346	532,334,533
Weighted average number of ordinary stapled securities used in calculation of diluted earnings per security	603,208,541	532,334,533

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For the year ended 30 June 2018 (continued)

(C) BASIC AND DILUTED EARNINGS PER SECURITY

	<u>2018</u>	<u>2017</u>
	cents	cents
Basic earnings/(loss) per share—Parent	1.86	(2.90)
Diluted earnings/(loss) per share—Parent	1.85	(2.90)
Basic earnings per security—Group	20.61	14.48
Diluted earnings per security—Group	20.54	14.48
Adjustments for calculation of diluted earnings per stapled security:		
Performance rights granted but not yet issued as securities	1,888,195	—
Weighted average number of ordinary stapled securities and potential ordinary stapled securities	603,208,541	532,334,533

NOTE 7 DIVIDENDS AND DISTRIBUTIONS

Dividends and distributions are recognised when declared.

	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
Distributions paid:		
Fully franked ordinary dividend to pre IPO PHL shareholders on 15 August 2016	—	9,667
Capital distribution to pre IPO PT unitholders on 15 August 2016	—	21,082
Profit distribution to PLG securityholders on 3 March 2017	—	16,275
Profit distribution to PLG securityholders on 4 September 2017	21,821	—
Profit distribution to PLG securityholders on 6 March 2018	21,696	—
	<u>43,517</u>	<u>47,024</u>

The balance of franking account at end of the year was \$5.8m (2017: \$0.4m). The Group will seek to utilise these franking credits in future distributions.

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For the year ended 30 June 2018 (continued)

PROPERTY PORTFOLIO ASSETS

IN THIS SECTION

This section details the assets which are used to generate the Group's performance and are considered to be the most relevant to the operations of the Group. The assets are detailed in the following notes:

Investment properties: relates to freehold investment properties.

Property, plant and equipment: relates to leasehold buildings and furniture and equipment.

Non-current assets classified as held for sale: relates to investment properties which are expected to be sold within 12 months of the balance sheet date and are currently marketed for sale.

Investments accounted for using the equity method: provides summarised financial information on joint ventures. The Group's joint ventures comprise interests in property portfolio assets held through investments in trusts.

NOTE 8 INVESTMENT PROPERTIES

Investment property comprises completed property and property under construction or re-development (including integral plant and equipment) that are held to earn rentals and for capital appreciation.

Investment property is measured initially at cost, including transaction costs. The carrying amount also includes capital expenditure on investment property and components relating to lease incentives and assets relating to fixed increases in operating lease rentals in future periods.

Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Investment properties are not depreciated for accounting purposes. Taxation allowances for the depreciation of buildings and plant and equipment contribute to the tax deferred component of distributions to stapled security holders.

When an investment property is disposed of, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

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For the year ended 30 June 2018 (continued)

(A) RECONCILIATION

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Opening balance at the beginning of the year	572,756	6,471
Property acquisitions	58,997	583,978
Property sales	(7,500)	(32,966)
Capital expenditure	12,175	17,624
Less: classified as held for sale	—	(31,550)
Capitalised straight-lining of fixed increases in operating leases inclusive of lease incentives	1,879	1,365
Net fair value gain/(loss) on investment property	57,893	27,834
Closing balance at the end of the year	<u>696,200</u>	<u>572,756</u>

The carrying amount of investment property includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to \$5,038,011 (2017: \$3,175,570).

**(B) FAIR VALUE MEASUREMENT—INVESTMENT PROPERTY, INVESTMENT
PROPERTY HELD FOR SALE AND PROPERTY CLASSIFIED AS PROPERTY,
PLANT AND EQUIPMENT**

Each property is considered a separate asset class based on its unique nature, characteristics and risk. The Group's policies on investment property valuations require that:

- management provide Directors with a view of the fair value of each property as each six-monthly reporting date approaches;
- where the view indicates the fair value of a property may materially differ from the current carried value, the Directors require that management procure an independent external valuation; and
- all properties in the portfolio are to be subject to an independent external valuation at least once in any 24 month period.

In accordance with policies, management provided the Directors with an assessment of estimated property values at 30 June 2018. Following the presentation, all properties were required to be independently valued by external valuers. Following receipt of the valuations, the Directors instructed that the respective property carrying values be adjusted to the value determined by the independent valuers.

HIGHEST AND BEST USE

For all investment property that is measured at fair value, the current use of the property is considered the highest and best use.

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FAIR VALUE HIERARCHY

The fair values of investment property recognised in the consolidated statement of financial position are Level 3 of the fair value measurement hierarchy (refer to note 12(b)(iv)).

VALUATION TECHNIQUES USED TO DERIVE FAIR VALUES

The fair value is measured using capitalisation of net market income, discounted cash flow (DCF) approaches and comparable sales where appropriate.

CAPITALISATION (CAP) APPROACH

The capitalisation approach involves the addition of expected rent for the various components of the property and the deduction of outgoings and other expenses (where appropriate) in order to determine the net income of the property. This net market income is capitalised at the adopted capitalisation rate to derive a market value. The higher/lower the capitalisation rate is adopted, the lower/ higher the valuation of a property.

DISCOUNTED CASH FLOWS (DCF) APPROACH

The DCF approach involves discounting future net operating cash flows over a 10 year investment horizon at the adopted discount rate to derive a net present value for the property. The higher/lower the discount rate is adopted, the lower/higher the valuation of a property.

The Group's investment property have been valued adopting the following key unobservable inputs:

	Fair value		Valuation technique	Key unobservable inputs	2018	2017 ¹
	2018	2017				
	\$'000	\$'000				
Investment properties	696,200	604,306	Cap approach	Capitalisation rate	5.5% - 9.50% (avg 6.61%)	6.15% - 10.5% (avg 7.21%)
			DCF approach	Discount rate	7.0% - 9.50% (avg 7.45%)	7.50% - 12.5% (avg 8.37%)

1 The 2017 comparative has been adjusted to reflect updated management information. The average discount rate has been adjusted from 7.11% to 8.37%.

**KEY ESTIMATES: INPUTS USED TO MEASURE FAIR VALUE OF INVESTMENT
PROPERTIES AND LEASEHOLD BUILDINGS**

Judgement is required in determining the following key assumptions;

- **Adopted capitalisation rate:** The rate at which net market rental revenue is capitalised to determine the value of a property. The rate is determined with regard to market evidence and the prior external valuation.

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- **Adopted discount rate:** The rate of return used to convert cash flows, payable or receivable in the future, into present value. It reflects the opportunity cost of capital, that is, the rate of return the cash can earn if put to other uses having similar risk. The rate is determined with regard to market evidence and the prior external valuation.

(C) SENSITIVITY INFORMATION

The table below highlights the sensitivity analysis of a 25 basis point change in capitalisation rate on the fair value of investment property:

		-25 basis points	+25 basis points
		\$'000	\$'000
Change in fair value of investment properties	2018	28,538	(25,883)
	2017	22,877	(21,309)

The table below highlights the sensitivity analysis of a 25 basis point change in discount rate on the fair value of investment property:

		-25 basis points	+25 basis points
		\$'000	\$'000
Change in fair value of investment properties	2018	12,185	(13,002)
	2017	8,769	(8,567)

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

PROPERTY—LEASEHOLD BUILDINGS

Leasehold buildings are carried at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic valuations by external independent valuers, less accumulated depreciation for buildings (refer to note 8 for more details).

Increases in the carrying amount arising on revaluation of buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are recognised against the revaluation reserve directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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DEPRECIATION

The depreciable amount is depreciated on a straight-line basis over the asset's useful life commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rate for leasehold buildings is calculated over the remaining leasehold period.

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

Gains and losses on disposal are determined by comparing net proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(A) PROPERTY, PLANT AND EQUIPMENT—RECONCILIATION

	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
Leasehold buildings at fair value		
Opening balance at the beginning of the year	97,600	—
Leasehold property acquisitions	—	91,703
Capital expenditure on leasehold property	537	106
Capitalised straight-lining of fixed increases in operating leases	252	331
Capitalised straight-lining of fixed increases in ground leases	(2,149)	(1,883)
Depreciation	(2,748)	(2,140)
Net fair value gain/(loss) on leasehold property	19,258	9,483
Closing balance at the end of the year	<u>112,750</u>	<u>97,600</u>
Other plant and equipment at cost		
Office leasehold improvements	282	350
Office equipment	80	104
Total other plant and equipment	<u>362</u>	<u>454</u>
Total property, plant & equipment	<u><u>113,112</u></u>	<u><u>98,054</u></u>

The carrying amount of leasehold buildings includes components related to deferred rent capitalised lease incentives and leasing fees amounting to (\$5,383,471) (2017: (\$3,486,532)).

Leasehold buildings consist of one property—Melbourne Markets. The property has been externally valued by Savills at 30 June 2018 at \$112.75m.

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(B) FAIR VALUE MEASUREMENT

FAIR VALUE HIERARCHY

The fair values of property, plant and equipment recognised in the consolidated statement of financial position are Level 3 of the fair value measurement hierarchy (refer to note 12(b)(iv)).

Refer to note 8(b) for valuation techniques and key estimates and judgements used to measure fair value of leasehold buildings.

The Group's leasehold buildings have been valued adopting the following key unobservable inputs:

	Fair value		Valuation technique	Key unobservable inputs	2018	2017
	2018	2017				
	\$'000	\$'000				
Leasehold buildings	112,750	97,600	Cap approach	Capitalisation rate	7.00%	7.25%
			DCF approach	Discount rate	8.00%	8.75%

(C) SENSITIVITY INFORMATION

The table below highlights the sensitivity analysis of a 25 basis point change in capitalisation rate on the fair value of Melbourne Markets property:

		-25	+25
		basis points	basis points
		\$'000	\$'000
Change in fair value of leasehold buildings	2018	4,000	(4,000)
	2017	3,376	(3,151)

The table below highlights the sensitivity analysis of a 25 basis point change in discount rate on the fair value of Melbourne Markets property:

		-25	+25
		basis points	basis points
		\$'000	\$'000
Change in fair value of leasehold buildings	2018	1,927	(1,883)
	2017	1,529	(1,495)

NOTE 10 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Investment property is transferred to non-current assets held for sale when:

- the property is available for immediate sale in its present condition, and
- the Trustee is committed to a plan to sell the property at its current fair value with an active marketing programme initiated, and
- a sale is expected within one year

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For the year ended 30 June 2018 (continued)

Investment properties held for sale continue to be measured at fair value and are presented separately as current items in the consolidated statement of financial position.

As at 30 June 2018 no properties are classified as held for sale (30 June 2017: \$31.55m).

NOTE 11 EQUITY ACCOUNTED INVESTMENTS

(A) INFORMATION ABOUT PRINCIPAL JOINT VENTURES

Set out below are the material joint ventures of the Group. The entities listed below are unit trusts in which the Group holds equity. The proportion of equity held by the Group does not equal the voting rights held by the Group. The entities are controlled jointly with the external investors. The entities were formed in Australia and their principal activity is property investment in Australia.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
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THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR ENDED JUNE 30, 2018

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018 (continued)

(B) SUMMARISED FINANCIAL INFORMATION FOR EQUITY ACCOUNTED INVESTMENTS

Set out below is the summarised financial information for equity accounted investments, adjusted where necessary to reflect any differences in accounting policies between the Group and the investee:

	Propertylink Enhanced Partnership	50 Ann Propertylink Enhanced Partnership	Propertylink Australian Commercial Trust 1	Auslog Holdings Trust ¹	PHL Moelis Braeside Trust ²	POP II Investment Partnership ³	Propertylink Commercial Industrial Investments	Propertylink Australian Industrial Partnership II	POP III Investment Partnership	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2018										
Group's share (%)	25.00%	25.00%	15.00%	0.00%	0.00%	20.00%	7.50%	17.13%	11.21%	
Proportion of voting rights	50.00%	50.00%	50.00%	0.00%	0.00%	50.00%	50.00%	50.00%	50.00%	
Summarised financial position										
Cash and cash equivalents	2,120	1,949	1,389	—	—	—	1,075	1,465	1,822	9,820
Total current assets	3,120	2,133	1,751	—	—	—	1,110	3,829	2,164	14,107
Total non-current assets	180,251	162,534	175,988	—	—	—	31,000	302,150	121,400	973,323
Current financial liabilities	(27)	—	—	—	—	—	(30)	(127)	—	(184)
Other current liabilities	(5,761)	(3,042)	(1,391)	—	—	—	(438)	(5,913)	(1,270)	(17,815)
Non-current financial liabilities	(74,696)	(65,017)	(78,744)	—	—	—	(17,376)	(137,623)	(55,712)	(429,168)
Net assets	102,887	96,608	97,604	—	—	—	14,266	162,316	66,582	540,263
Group's share of joint venture's net assets	25,722	24,152	14,641	—	—	—	1,070	27,804	7,466	100,855
Summarised financial performance										
Revenue	30,184	28,480	25,101	—	90	1,252	4,409	52,295	20,414	162,225
Depreciation and amortisation	(69)	—	—	—	—	—	—	(1,271)	—	(1,340)
Interest income	3	24	13	—	12	115	13	45	22	247
Interest expense	(3,079)	(2,550)	(2,118)	—	(362)	—	(714)	(4,040)	(1,915)	(14,778)
Other expenses	(5,808)	(4,374)	(3,026)	—	83	—	(457)	(9,973)	(2,433)	(25,988)
Profit or loss from continuing operations	21,231	21,580	19,970	—	(177)	1,367	3,251	37,056	16,088	120,366
Income tax expense	—	—	—	—	—	—	—	—	—	—
Profit after tax from continuing operations	21,231	21,580	19,970	—	(177)	1,367	3,251	37,056	16,088	120,366
Total comprehensive income	21,231	21,580	19,970	—	(177)	1,367	3,251	37,056	16,088	120,366
Group's share of joint venture's total comprehensive income	5,308	5,395	3,003	—	(18)	273	244	4,350	1,250	19,805
Distribution received	1,817	1,314	—	—	2,511	6,647	86	1,297	210	13,882

¹ The assets held by Auslog Holdings Trust were sold in February 2017 and the trust was wound up.

² The asset held by PHL Moelis Braeside Trust was sold in July 2017 and the trust was wound up.

³ The asset held by POP II, in which POP II Investment Partnership has 20% interest, was sold in July 2017, and the trust was wound up.

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(B) SUMMARISED FINANCIAL INFORMATION FOR EQUITY ACCOUNTED INVESTMENTS (CONTINUED)

	Propertylink Enhanced Partnership	50 Ann Enhanced Partnership	PAIP Investment Partnership ¹	Auslog Holdings Trust ²	PHL Moelis Braeside Trust ³	POP II Investment Partnership ⁴	Propertylink Commercial Industrial Investments	Propertylink Australian Industrial Partnership II	POP III Investment Partnership	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2017										
Group's share (%)	25.00%	25.00%	0.00%	0.00%	10.00%	20.00%	7.50%	3.93%	11.21%	
Proportion of voting rights	50.00%	50.00%	0.00%	0.00%	50.00%	50.00%	50.00%	50.00%	50.00%	
Summarised financial position										
Cash and cash equivalents	7,378	2,550	—	—	268	1	1,018	2,903	1,220	15,338
Total current assets	8,187	2,603	—	—	563	706	1,036	4,111	1,457	18,663
Total non-current assets	160,833	145,252	—	—	49,330	31,163	29,000	252,113	108,700	776,391
Current financial liabilities	(81)	—	—	—	(207)	—	(131)	(212)	(95)	(726)
Other current liabilities	(3,371)	(2,999)	—	—	(532)	(304)	(718)	(5,431)	(1,349)	(14,704)
Non-current financial liabilities	(74,479)	(64,936)	—	—	(23,948)	—	(17,313)	(138,849)	(55,991)	(375,516)
Net assets	91,089	79,920	—	—	25,206	31,565	11,874	111,732	52,722	404,108
Group's share of associate's net assets	22,772	19,980	—	—	2,521	6,313	889	4,405	6,465	63,345
Summarised financial performance										
Revenue	34,640	(7,262)	252	7,698	8,182	1,665	2,437	12,395	15,057	75,064
Depreciation and amortisation	(62)	—	—	—	—	—	—	(1,169)	—	(1,231)
Interest income	5	1	628	3	1	1,755	12	66	20	2,491
Interest expense	(2,861)	(389)	—	(1,035)	(898)	—	(731)	(2,903)	(1,887)	(10,704)
Other expenses	(4,964)	(583)	(12)	(1,679)	(721)	—	(466)	(7,695)	(2,752)	(18,872)
Profit or loss from continuing operations	26,758	(8,233)	868	4,987	6,564	3,420	1,252	694	10,438	46,748
Income tax expense	—	—	—	—	—	—	—	—	—	—
Profit after tax from continuing operations	26,758	(8,233)	868	4,987	6,564	3,420	1,252	694	10,438	46,748
Total comprehensive income	26,758	(8,233)	868	4,987	6,564	3,420	1,252	694	10,438	46,748
Group's share of joint venture's total comprehensive income	6,690	(2,058)	304	499	656	684	94	27	1,640	8,536
Distribution received	1,145	—	629	273	191	425	83	249	215	3,210

1 PT sold its investment in PAIP Investment Partnership immediately prior to the IPO on 15 August 2016, but received income distributions for the period 1 July to 15 August 2016.

2 The assets held by Auslog Holdings Trust were sold in February 2017 and the trust was wound up.

3 The asset held by PHL Moelis Braeside Trust was sold in July 2017 and the trust was wound up.

4 The asset held by POP II, in which POP II Investment Partnership has 20% interest, was sold in July 2017, and the trust was wound up.

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CAPITAL AND FINANCIAL RISK MANAGEMENT AND WORKING CAPITAL

IN THIS SECTION

The directors' overall financial risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Note 12 *Capital and financial risk management* outlines how the Group manages its exposure to a variety of financial risks (credit risk, liquidity risk and interest rate risk) and details of the various derivative financial instruments entered into by the Group.

The capital structure of the Group is detailed in the following notes:

Debt: Borrowings in Note 13 and Commitments and contingencies in Note 14.

Equity: Contributed equity in Note 15 and reserves in Note 16.

Note 17 provides a breakdown of the working capital balances held in the Statement of Financial Position.

NOTE 12 CAPITAL AND FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, bills and interest rate swap derivatives.

	<u>2018</u> \$'000	<u>2017</u> \$'000
Financial assets		
Cash and cash equivalents	17,233	20,002
Loans and receivables	3,440	4,472
Derivative financial instruments	299	644
Total financial assets	<u>20,972</u>	<u>25,118</u>
Financial liabilities		
Financial liabilities at amortised cost		
—Trade and other payables	19,308	11,207
—Borrowings	288,657	255,926
Total financial liabilities	<u>307,965</u>	<u>267,133</u>

(A) CAPITAL RISK MANAGEMENT

Management manages the capital of the Group in order to maintain an acceptable debt to total tangible assets ratio, provide the securityholders with adequate returns, and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary equity capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

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Management assesses the Group's financial risks and adjusts its capital structure in response to changes in these risks and the market. These responses may include the review of debt levels, review of distributions to securityholders, and issue of new securities.

The Group has a target gearing ratio of 30% to 40%. The table below details the calculation of the gearing ratio:

	2018	2017
	\$'000	\$'000
Total interest bearing liabilities¹	290,000	257,000
Cash and cash equivalents	17,233	20,002
Total tangible assets²	937,995	797,754
Gearing ratio³	29.6%	30.5%
Gearing ratio (look-through)⁴	34.9%	35.2%

1 Total interest bearing liabilities exclude unamortised borrowing costs.

2 Total tangible assets comprise total assets less intangible assets.

3 The gearing ratio is calculated as total interest bearing liabilities less cash and cash equivalents divided by total tangible assets less cash and cash equivalents.

4 The look-through gearing ratio is calculated on the same basis, by including the Group's underlying interest in debt, cash and tangible assets of equity accounted investments.

(B) FINANCIAL RISK MANAGEMENT

Management meets monthly to analyse financial risk and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Management operate under policies approved by the Board of Directors. Financial risk management policies are reviewed and approved by the Board at least annually, including credit risk policies and future cash flow requirements.

SPECIFIC FINANCIAL RISK EXPOSURES AND MANAGEMENT

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rates.

(I) CREDIT RISK

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

The Group manages credit risk by:

- maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness;
- utilisation of systems for the approval, granting and renewal of credit limits;
- regular monitoring of exposures against credit limits;

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- obtaining collateral where necessary in the form of tenant bonds;
- regular monitoring of the financial stability of significant customers and counterparties. Credit terms are generally 30 to 45 days from the date of invoice;
- investing surplus funds in financial institutions that maintain a high credit rating or in entities that the senior executives have otherwise assessed as being financially sound.

The maximum exposure to credit risk at balance date to recognised financial assets, excluding the value of any collateral or other security, is the carrying amount, net of any provisions for impairment of those assets. The Group manages credit risk by ensuring that appropriate due diligence is carried out before entering into lease agreements with tenants. Receivable balances are regularly reviewed to reduce exposure to bad debts.

(II) LIQUIDITY RISK

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk by:

- preparing forward-looking cash flows for its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial assets and liabilities. Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liability.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward.

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Financial liability and financial asset maturity analysis

	Within 1 year		1 to 5 years		Total	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities due for payment						
Secured bank loans ¹	10,380	8,771	327,262	284,007	337,642	292,778
Trade and other payables	19,308	11,207	—	—	19,308	11,207
Derivative financial instruments ²	265	211	—	—	265	211
Total expected outflows	29,953	20,189	327,262	284,007	357,215	304,196
Financial assets—cash flows realisable						
Cash and cash equivalents	17,233	20,002	—	—	17,233	20,002
Trade, term and loan receivables	3,283	4,228	—	—	3,283	4,228
Derivative financial instruments ²	—	—	589	937	589	937
Total expected inflows	20,516	24,230	589	937	21,105	25,167
Net (outflow)/inflow on financial instruments	(9,437)	4,041	(326,673)	(283,070)	(336,110)	(279,029)

1 Refer to note 13. Includes estimated fees and interest.

2 Derivative financial instruments comprise of interest rate swaps, for which only the net interest cash flows (not the notional principal) are included. Refer to note 12(c) for fair value of derivatives.

The Group manages the liquidity required to meet its current liabilities from operating cash flows. Non-current liabilities in respect of bank loans are managed by way of re-negotiation or from the sale of assets.

(III) MARKET RISK

INTEREST RATE RISK

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates.

To manage interest rate risk, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 30 June 2018, after taking into account the effect of interest rate swaps, 61.2% of the Group's borrowings are hedged (30 June 2017: 69.1%).

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The net notional amount of variable rate debt (i.e. interest bearing loans net of interest rate swaps) and effective hedge rate are set out below:

		<u>2018</u>	<u>2017</u>
	Note	\$'000	\$'000
Bank facilities	13	290,000	257,000
Less notional amount of interest rate swaps		(177,500)	(177,500)
Unhedged debt		112,500	79,500
Hedge rate (%)		61.2%	69.1%

SENSITIVITY ANALYSIS

The analysis below describes reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit before tax and equity. It should be noted that the impact of movement in the variable is not necessarily linear.

- The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on finance income less finance expense for the period, based on the floating rate financial liabilities held at the reporting date, including the effect of hedging instruments.
- The sensitivity of equity is calculated by revaluing interest rate swaps designated as cash flow hedges, for the effects of the assumed changes in interest rates.

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities also assume that the movement in a particular variable is independent of other variables.

	<u>2018</u>		<u>2017</u>	
	<u>Profit</u>	<u>Equity</u>	<u>Profit</u>	<u>Equity</u>
	\$'000	\$'000	\$'000	\$'000
Increase in interest rate by 0.5%	(563)	1,126	(398)	2,811
Decrease in interest rate by 0.5%	563	(3,004)	398	(2,539)

There have been no changes in any of the assumptions used to prepare the above sensitivity analysis from the prior year.

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(IV) FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Group must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities, for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy (described as follows), based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1—Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2—Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3—Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

All financial instruments were measured at Level 2 for the periods presented in this report.

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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FAIR VALUE ESTIMATION

The fair values of financial assets and financial liabilities equal their carrying value presented in the consolidated statement of financial position.

Management has assessed that the fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and liabilities is included at the amount of which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The valuation techniques applied to fair value of derivatives employ the use of market observable inputs and include swap models which use present value calculations. The model incorporates various inputs including the credit quality of counterparties and forward rates.
- Fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method using a discount rate that reflects the issuer's borrowing rate including its own non-performance risk as at 30 June 2018. As at 30 June 2018, the fair value of the Group's interest-bearing borrowings and loans is \$290m (30 June 2017: \$257m).

(C) DERIVATIVE FINANCIAL INSTRUMENTS

A derivative is a type of financial instrument typically used to manage risk. A hedge is where a derivative is used to manage an underlying exposure and the Group uses derivatives, such as interest rate swaps, to hedge its risks associated with interest rates. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value with any changes in fair value recognised in the Statement of Comprehensive Income. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

At inception, the Group can elect to formally designate and document the relationship between certain hedge derivative instruments (interest rate swaps) and the associated hedged items (bank borrowings). The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

CASH FLOW HEDGES

A cash flow hedge is a hedge of the exposure to variability in cash flows attributable to a particular risk to a highly probable forecast transaction pertaining to an asset or liability.

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Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in OCI are transferred to the statement of profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the firm commitment is met.

When a derivative is held as an economic hedge for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current consistent with the classification of the underlying item. A derivative instrument that is a designated and effective hedging instrument is classified consistent with the classification of the underlying hedged item.

At 30 June 2018, the Group had interest rate swap agreements in place with a notional amount of \$177.5m (30 June 2017: \$177.5) whereby the Group receives a variable rate and pays a fixed rate of interest of between 1.83% and 2.54%. The interest rate swaps are being used to manage the Group's interest rate risk exposure to changes in the cash flow of its secured bank loan and are formally designated as cash flow hedges.

The aggregate fair value of the interest rate swaps at the end of the reporting period was an asset of \$298,634 (30 June 2017: \$644,279).

The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to transfer the swap at reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of derivatives is determined using recognised valuation techniques and the principles of IFRS 13 *Fair Value Measurement*. The interest rate swaps are classified in Level 2 of the fair value measurement hierarchy (refer to note 12(b)(iv)).

NOTE 13 BORROWINGS

Borrowings are initially recognised at fair value net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are capitalised to borrowings and amortised in profit or loss over the expected life of the borrowings.

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All borrowings with contractual maturities greater than 12 months after reporting date are classified as non-current liabilities.

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Non-current		
Bank loan secured	290,000	257,000
Borrowing costs	(1,343)	(1,074)
Total non-current borrowings	<u>288,657</u>	<u>255,926</u>
Total borrowings	<u>288,657</u>	<u>255,926</u>

The bank loan is a commercial bill facility and is priced at a margin over 90-day BBSY rate. The facility is secured against the Group's investment properties and property, plant and equipment, and by guarantees provided to the financier by certain Group entities. The facility is split into two tranches, a \$190m facility drawn to \$155m expiring on 15 February 2021, and a \$150m facility drawn to \$135m expiring on 15 February 2023.

The Group has been in compliance with all debt covenants during the year.

Refer to Note 12 for details on the Group's exposure to risks associated with financial liabilities.

NOTE 14 COMMITMENTS AND CONTINGENCIES

(A) COMMITMENTS

(I) CAPITAL COMMITMENTS

As at 30 June 2018, the Group had agreed contracts with third parties and is consequently committed to future capital expenditure in respect of investment property of \$1.1m (30 June 2017: \$Nil).

(II) LEASE PAYABLE COMMITMENTS

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in the arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. Leases that do not transfer substantially all the risks and rewards of ownership of an asset to the Group are classified as operating leases. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

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The Group makes non-cancellable ground lease payments on land on which the Melbourne Markets operate. The ground leases have fixed escalation clauses, and expire on 30 September 2055. The improvements constructed on the leased land are classified as Property, Plant and Equipment. The Group also makes lease payments on its office premises. Commitments for minimum lease payments in relation to non-cancellable leases are as follows:

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Within 1 year	1,525	1,162
After 1 year, but not more than 5 years	9,466	8,979
More than 5 years	100,169	102,199
	<u>111,160</u>	<u>112,340</u>

(III) LEASE RECEIVABLE COMMITMENTS

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortised over the lease term on the same basis as rental income.

The Group has entered into leases on its property portfolio. Industrial property leases typically have initial lease terms of between 5 and 10 years and include clauses to enable periodic fixed upward revision.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Within 1 year	52,885	48,216
After 1 year, but not more than 5 years	122,752	114,250
More than 5 years	61,779	32,392
	<u>237,416</u>	<u>194,858</u>

(B) CONTINGENCIES

At 30 June 2018 the Group had no contingent assets or liabilities (30 June 2017: \$Nil).

NOTE 15 CONTRIBUTED EQUITY

(A) CONTRIBUTED EQUITY OF SHAREHOLDERS OF THE PARENT ENTITY

		<u>2018</u>	<u>2017</u>
	Note	<u>\$'000</u>	<u>\$'000</u>
Opening balance at the beginning of the year		5,364	40,598
Reallocation of capital to other stapled entity's capital ¹	15(b)	<u>—</u>	<u>(35,234)</u>
Closing balance at the end of the year		<u>5,364</u>	<u>5,364</u>

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
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**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018 (continued)

(B) CONTRIBUTED EQUITY OF UNITHOLDERS OF OTHER STAPLED ENTITIES

		<u>2018</u>	<u>2017</u>
	Note	\$'000	\$'000
Opening balance at the beginning of the year		525,206	—
Issue of ordinary equity		—	497,292
Less security issue costs		(66)	(7,320)
Reallocation of capital from the parent entity's capital ¹	15(a)	—	35,234
Closing balance at the end of the year		<u>525,140</u>	<u>525,206</u>

1 PHL and PT were stapled prior to the IPO in August 2016, however, for Australian Financial Services Licence reasons no capital was able to be allocated from PHL to PT until Propertylink Investment Management Limited, the Responsible Entity, was granted a retail licence. Capital was reallocated from PHL to PT as part of the IPO restructuring process, and the amount reallocated was determined having regard to a number of factors, including the amount of capital invested by PT.

(C) NUMBER OF SECURITIES ON ISSUE

	<u>2018</u>	<u>2017</u>
	No. of securities	No. of securities
Opening balance at the beginning of the year	602,780,330	43,808,247
Issue of additional equity	—	558,972,083
Closing balance at the end of the year	<u>602,780,330</u>	<u>602,780,330</u>

Each stapled security ranks equally with all other stapled securities for the purposes of distributions and on termination of the Group.

Each stapled security entitles the holder to vote in accordance with the provisions of the Constitutions and the Corporations Act 2001.

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For the year ended 30 June 2018 (continued)

NOTE 16 RESERVES

(A) RESERVES

	<u>2018</u> \$'000	<u>2017</u> \$'000
Asset revaluation reserve		
Opening balance at the beginning of the year	9,483	—
Changes in the fair value of leasehold buildings	<u>19,258</u>	<u>9,483</u>
Closing balance at the end of the year	<u>28,741</u>	<u>9,483</u>
Cash flow hedge reserve		
Opening balance at the beginning of the year	644	—
Changes in the fair value of cash flow hedges	<u>(346)</u>	<u>644</u>
Closing balance at the end of the year	<u>298</u>	<u>644</u>
Capital reserve		
Opening balance at the beginning of the year	(44,643)	(20,556)
Equity restructure	<u>—</u>	<u>(24,087)</u>
Closing balance at the end of the year	<u>(44,643)</u>	<u>(44,643)</u>
Security-based payments reserve		
Opening balance at the beginning of the year	—	—
Security-based payments expense	2,966	—
Issue of securities to employees	<u>(127)</u>	<u>—</u>
Closing balance at the end of the year	<u>2,839</u>	<u>—</u>
Treasury securities reserve		
Opening balance at the beginning of the year	—	—
Purchase of securities	(1,529)	—
Issue of securities to employees	<u>127</u>	<u>—</u>
Closing balance at the end of the year	<u>(1,402)</u>	<u>—</u>
Total reserves	<u><u>(14,167)</u></u>	<u><u>(34,516)</u></u>

(B) NATURE AND PURPOSE OF RESERVES

ASSET REVALUATION RESERVE

The asset revaluation reserve is used to record the fair value adjustment arising from revaluation of leasehold buildings classified as Property, Plant & Equipment in the Statement of Financial Position.

CASH FLOW HEDGE RESERVE

The cash flow hedge reserve is used to record the effective portion of changes in the fair value of derivatives that are designated as cash flow hedges.

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For the year ended 30 June 2018 (continued)

CAPITAL RESERVE

The movement in the capital reserve during the 2017 year was the result of a series of equity restructuring steps required to staple PAIP to PHL and PT to enable the completion of the IPO on 15 August 2016.

SECURITY-BASED PAYMENTS RESERVE

The security-based payment reserve is used to recognise the fair value of securities to be issued under the Employee Incentive Plan. Refer to Note 19 for further details.

TREASURY SECURITIES RESERVE

The treasury securities reserve is used to record the acquisition of securities purchased to fulfil the obligations of the Employee Incentive Plan. As at 30 June 2018, the Group held 1,633,933 stapled securities (2017: Nil).

NOTE 17 WORKING CAPITAL

(A) CASH AND CASH EQUIVALENTS

Cash and cash equivalents of \$17.2m (30 June 2017: \$20.0m) comprise cash at bank and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

(B) TRADE AND OTHER RECEIVABLES

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Rent receivable	1,218	1,074
Less: provision for doubtful debts	(244)	(4)
Total rent receivables	974	1,070
Fee receivable	1,510	1,814
Distribution receivable	638	471
Other receivables	161	873
Deposits paid	157	244
Total current trade and other receivables	3,440	4,472

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For the year ended 30 June 2018 (continued)

(C) TRADE AND OTHER PAYABLES

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Trade payables	3,799	2,128
Other payables and accrued expenses	13,334	7,031
GST payable	1,161	1,156
Bonds payable	1,014	892
	<u>19,308</u>	<u>11,207</u>

OTHER DISCLOSURES

IN THIS SECTION

This section includes other information that must be disclosed to comply with the Accounting Standards, *the Corporations Act 2001* or the Corporations Regulations.

NOTE 18 INTANGIBLE ASSETS

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of the acquisition.

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Goodwill		
Cost	4,566	4,566
Intangible assets net carrying amount	4,566	4,566

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. An impairment loss is recognised in the Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount.

Management carry out a review of the recoverable amount of its goodwill at least annually. There has been no change in the carrying value of the goodwill as a result of the reviews.

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For the year ended 30 June 2018 (continued)

NOTE 19 SECURITY-BASED PAYMENTS

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Staff bonuses ¹	1,638	558
Directors' fees ²	—	260
Consulting fees ³	—	223
Executive KMP ⁴	1,328	842
	<u>2,966</u>	<u>1,883</u>

- 1 The Group has established an Employee Incentive Plan to reward staff for performance over the short and long term. Short term incentives are issued by the Plan in the form of Restricted Securities, and long term incentives are issued by the Plan in the form of Performance Rights.
- 2 Directors' fees of \$260,000 for year ended 30 June 2017 were paid in the form of fully vested ordinary securities for additional duties performed in relation to the IPO. These fees are also included in Note 22(a) Key management personnel compensation.
- 3 Consulting fees of \$224,000 for year ended 30 June 2017 to Blue Gum Capital Pty Ltd, an entity associated with Anthony Ryan, were paid in the form of fully vested ordinary securities in relation to advice provided to PHL in the process of preparing for the IPO. These fees are also included in Note 22(b)(ii) Fees paid to key management personnel's related parties.
- 4 Executive KMP have rights to security based payments in certain performance and service related circumstances. For full details of these rights refer to the Remuneration Report.

The Group's Employee Incentive Plans have awarded grants of Restricted Securities and Performance Rights to PLG stapled securities to eligible participants. The Short Term Incentive Plan (STI) grants are in the form of Restricted Securities, were for nil consideration, and are subject to satisfying specific service conditions. The Long Term Incentive Plan (LTI) grants are in the form of Performance Rights, were for nil consideration, and are subject to satisfying specific future performance and service conditions.

In accordance with AASB 2 Share-based Payments, the year of employment in which participants become eligible for the STI or LTI grants is included in the vesting period over which the fair value of the securities is amortised. The fair value of Restricted Securities and Performance Rights granted is recognised as an employee benefit expense, with a corresponding increase in the security-based payment reserve in equity.

SHORT TERM INCENTIVE (STI) PLANS

Eligible participants are usually granted Restricted Securities in August/September for performance-based services for the preceding financial year. Participants usually must remain in employment for the vesting period (generally approximately one year after grant) in order for the Restricted Securities to vest. Consequently, the fair value of the Restricted Securities granted is amortised over approximately 26 months.

The number of Restricted Securities granted in respect of the year ended 30 June 2018 was 1,679,464 and the fair value of these Restricted Securities is \$0.8467 per Restricted Security. The total security-based STI payment expense recognised during the year ended 30 June 2018 was \$2,337,040.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018 (continued)

LONG TERM INCENTIVE (LTI) PLANS

Eligible participants are granted LTI Performance Rights based on future performance against agreed key performance indicators, as a percentage of their remuneration mix. Participants generally must both remain in employment for the vesting period, and meet the performance criteria, in order for the Performance Rights to vest. Grants of Performance Rights are subject to measurement over approximately three years, commencing at the start of the year of grant.

Where applicable, the fair value of Performance Rights reflects market vesting conditions. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of Performance Rights that are expected to vest based on non-market vesting conditions. The impact of the revised estimates, if any, is recognised in profit or loss with a corresponding adjustment to equity.

The number of performance rights granted in respect of the year ended 30 June 2018 was 1,341,414. The weighted average fair value of these performance rights is \$0.6342 per performance right. The total security-based LTI payment expense recognised during the year ended 30 June 2018 was \$628,960.

KEY ASSUMPTIONS: FAIR VALUE OF PERFORMANCE RIGHTS GRANTED

Judgement is required in determining the fair value of performance rights granted. Fair values for LTI Performance Rights granted during FY18 was independently determined with reference to:

- the expected life of the rights;
- the security price at grant date;
- the expected price volatility of the underlying security;
- the expected distribution yield; and
- the risk free interest rate for the term of the rights and expected total securityholder returns (where applicable).

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For the year ended 30 June 2018 (continued)

NOTE 20 AUDITORS' REMUNERATION

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Audit fees		
KPMG-audit and review of Financial Statements	355	425
KPMG-other assurance services	50	57
PwC Australia-audit and review of Financial Statements	—	17
Total audit fees	<u>405</u>	<u>499</u>
Transaction and other services fees		
KPMG-IPO related work	—	450
KPMG-Property consultancy services	24	—
Bentleys-other	—	5
Total transaction and other services fees	<u>24</u>	<u>455</u>
Total audit, transaction and other services fees	<u>429</u>	<u>954</u>

NOTE 21 CASH FLOWS INFORMATION

Reconciliation of net profit to net cash flows from operating activities

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Profit after income tax	123,927	77,086
<i>Adjustments to reconcile profit before tax to net cash flows</i>		
Net fair value gain on investment property	(57,893)	(27,834)
Net gain on disposal of investment properties	(75)	(5,689)
Net loss on disposal of investments	—	438
Depreciation and amortisation expense	2,851	2,285
Amortisation and write off of borrowing costs	360	1,873
Amortisation of leasing costs	412	173
Straight-lining rental income adjustments	(2,379)	(1,697)
Straight-lining lease expense adjustments	2,149	1,883
Security-based payments accrued	2,966	—
Valuation gains on investment in joint ventures	(11,929)	(3,829)
	<u>(63,538)</u>	<u>(32,397)</u>
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in trade and other receivable	1,032	(464)
(Increase)/decrease in other assets	(739)	(1,546)
(Increase)/decrease in deferred tax assets	814	(4,435)
(Increase)/decrease in trade and other payables	8,102	17
Increase/(decrease) in income tax payable	(1,435)	3,383
Increase/(decrease) in provisions (excluding provision for dividend)	150	195
	<u>7,924</u>	<u>(2,850)</u>
Net cash flows from operating activities	<u>68,313</u>	<u>41,839</u>

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018 (continued)

NOTE 22 RELATED PARTIES

(A) KEY MANAGEMENT PERSONNEL

KEY MANAGEMENT PERSONNEL COMPENSATION

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Short-term benefits	3,406	3,234
Long-term benefits	42	333
Post-employment benefits	92	114
Security-based payments	1,328	1,102
	<u>4,868</u>	<u>4,783</u>

**EQUITY INSTRUMENTS DISCLOSURES RELATING TO KEY MANAGEMENT
PERSONNEL**

The relevant interest in PLG stapled securities held during the period by each key management personnel, including their personally related parties, are set out below:

	<u>Opening balance 1-Jul-2017</u>	<u>Net acquisitions/ disposals</u>	<u>Performance rights granted</u>	<u>Other change¹</u>	<u>Closing balance 2018</u>
Directors	21,856,410	(2,580,219)	596,950	(6,596,195)	13,276,946
Other key management personnel . .	739,643	(1,635,649)	413,369	6,385,211	5,902,574
Total	<u>22,596,053</u>	<u>(4,215,868)</u>	<u>1,010,319</u>	<u>(210,984)</u>	<u>19,179,520</u>

- 1 During FY18 Peter McDonald resigned as a Director but remains as other key management personnel, therefore his securities of 6,385,211 have been transferred from Directors to Other key management personnel. Derek Nix resigned as a Director therefore his securities of 210,984 at the beginning of FY18 have been removed.

There were no loans with key management personnel or their related parties during the year ended 30 June 2018 and 30 June 2017.

(B) TRANSACTIONS WITH RELATED PARTIES

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

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For the year ended 30 June 2018 (continued)

The following transactions occurred with related parties:

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
i. Fee income from key management personnel's related parties		
Project management fees—Nix Anderson Pty Ltd (associated with Derek Nix) ¹	5	65
Rent received—Blue Gum Capital Pty Ltd (associated with Anthony Ryan)	48	55
	<u>53</u>	<u>120</u>
ii. Fees paid to key management personnel's related parties		
Project management fees—Nix Anderson Pty Ltd (associated with Derek Nix) ¹	—	57
Consulting fees—Blue Gum Capital Pty Ltd (associated with Anthony Ryan) ²	—	223
	<u>—</u>	<u>280</u>

- 1 Project management fees received from and paid to Nix Anderson Pty Ltd were for project management services provided on normal commercial terms and conditions.
- 2 Consulting fees paid to Blue Gum Capital Pty Ltd for advice to PHL in regard to the IPO. Security-based portion of these fees is also included in Note 19.

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For the year ended 30 June 2018 (continued)

NOTE 23 PARENT ENTITY DISCLOSURES

The following information represents the standalone financial information for Propertylink (Holdings) Limited.

	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Statement of financial position		
Assets		
Current assets	98,530	27,779
Non-current assets	13,308	5,589
Total assets	<u>111,839</u>	<u>33,368</u>
Liabilities		
Current liabilities	149,876	81,102
Non-current liabilities	31	31
Total liabilities	<u>149,907</u>	<u>81,133</u>
Equity/(deficit)		
Issued capital	5,364	5,364
Capital reserve	(25,110)	(25,110)
Retained earnings	(18,322)	(16,596)
Dividends provided	—	(11,423)
Total equity/(deficit)	<u>(38,068)</u>	<u>(47,765)</u>
	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Statement of profit or loss and other comprehensive income		
Profit/(loss) after income tax	9,697	(15,498)
Total comprehensive income/(loss)¹	<u>9,697</u>	<u>(15,498)</u>

1 Total comprehensive income for the year ended 30 June 2017 includes an expense of \$20.0m related to debt forgiveness of part of a loan to PT, and IPO costs of \$16.879m.

NOTE 24 EVENTS AFTER THE REPORTING PERIOD

Since the end of the year, the Directors are not aware of any matter or circumstance not otherwise dealt with in the Directors' Report or the Financial Statements that has significantly or may significantly affect the operations of the Group, or state of the Group's affairs in future financial periods.

NOTE 25 INTERESTS IN SUBSIDIARIES

The subsidiaries listed below have either share capital consisting solely of ordinary shares or units in unit trusts, which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business and country of incorporation or registration is Australia.

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For the year ended 30 June 2018 (continued)

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

PARENT ENTITY

Propertylink (Holdings) Ltd (stapled entities—Propertylink Trust and Propertylink Australian Industrial Partnership)

**SUBSIDIARIES OF PROPERTYLINK
(HOLDINGS) LTD**

	<u>2018</u> %	<u>2017</u> %
Propertylink Trust	0% (100% NCI)	0% (100% NCI)
Propertylink Australian Industrial Partnership	0% (100% NCI)	0% (100% NCI)
Propertylink Funds Management Pty Ltd	100%	100%
Propertylink Admin Management Pty Ltd	100%	100%
Propertylink Capital Pty Ltd	100%	100%
Propertylink Services Management Pty Ltd	100%	100%
Propertylink Investment Management Ltd	100%	100%
Infralink (Australasia) Pty Ltd . .	100%	100%
MITSA Pty Ltd	100%	100%
Propertylink (Australasia) Pty Ltd	100%	100%
Propertylink WIM Pty Ltd	100%	100%
Propertylink PAIP Pty Ltd	100%	100%
Propertylink Nominees Pty Ltd	100%	100%
BBR 15 Pty Ltd	100%	100%
PAIP II MA Nominees Pty Ltd	100%	100%
PAIP II BA Nominees Pty Ltd	100%	100%
PEP Nominees I Pty Ltd	100%	100%
PEP Nominees II Pty Ltd	100%	100%
PEP Nominees III Pty Ltd	100%	100%
PURP Nominees I Pty Ltd	100%	—
PURP Nominees II Pty Ltd	100%	—
PURP PHL Trust	100%	—
PHL N Orion Road Trust No 2	100%	—
Propertylink Employee Incentive Plan Trust	100%	—

**CONTROLLED ENTITIES OF
PROPERTYLINK TRUST**

	<u>2018</u> %	<u>2017</u> %
PT Moelis Trust	—	100%
Propertylink Office Partnership Trust	100%	100%
POP 73 Miller Trust	—	100%
POP II PT	100%	100%
PAIP II PT	100%	100%
POP III PT	100%	100%
PEP PT	100%	100%
50 Ann PEP PT	100%	100%
PURP PT	100%	—

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For the year ended 30 June 2018 (continued)

**CONTROLLED ENTITIES OF PROPERTYLINK AUSTRALIAN INDUSTRIAL
PARTNERSHIP**

	<u>2018</u> %	<u>2017</u> %		<u>2018</u> %	<u>2017</u> %
PHL Hold Trust	100%	100%	PAIP N McCredie Road Trust	—	100%
PHL Hold Trust 2	100%	100%	PAIP N Newton Road Trust No 1	100%	100%
PHL NW Trust	100%	100%	PAIP N Newton Road Trust No 2	100%	100%
PHL V Trust	100%	100%	PAIP N Niangala Close Trust	100%	100%
PHL Q Trust	100%	100%	PAIP N Orielson Road Trust	100%	100%
PHL DX Trust	100%	100%	PAIP N Pike Street Trust No 2	—	100%
PHL MM Trust	100%	100%	PAIP N Rodborough Road Trust No 1	100%	100%
PHL U Trust	100%	100%	PAIP N Rodborough Road Trust No 2	100%	100%
PHL N Pike Street Trust	—	100%	PAIP N Sylvania Way Trust	—	100%
PHL N Orion Road Trust No 1	100%	—	PAIP V Cherry Lane Trust	100%	100%
PAIP N Airds Road Trust	100%	100%	PAIP V Lakes Drive Trust	100%	100%
PAIP N Beaumont Road Trust No 2	—	100%	PAIP V Main Road Trust	100%	100%
PAIP N Beaumont Road Trust No 3	—	100%	PAIP V Mt Derrimut Road Trust	100%	100%
PAIP N Beaumont Road Trust No 11	—	100%	PAIP V National Boulevard Trust	—	100%
PAIP N Beaumont Road Trust No 12	—	100%	PAIP V Ricketts Road Trust	100%	100%
PAIP N Beaumont Road Trust No 15	—	100%	PAIP V Strezlecki Avenue Trust	100%	100%
PAIP N Boundary Road Trust	100%	100%	PAIP V Taryn Drive Trust	100%	100%
PAIP N Brunker Road Trust	100%	100%	PAIP V Whiteside Road Trust	100%	100%
PAIP N Gundah Road Trust	100%	100%	PAIP V Woodlands Drive Trust	100%	100%
PAIP N Mandarin Street Trust	100%	100%	PAIP WA Leadership Way Trust	100%	100%
			PAIP WA McDowell Street Trust	100%	100%
			PAIP N Newton Road Trust No 1	100%	100%

NOTE 26 COMPANY DETAILS

The registered office of the company is

Level 29, 20 Bond Street

SYDNEY NSW 2000

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2018**

DIRECTORS' DECLARATION

In accordance with a resolution of Propertylink (Holdings) Limited, the Directors declare that:

- (1) The Financial Statements and notes, as set out on pages 51 to 87 (Note), are in accordance with the Corporations Act 2001 and:
 - (a) comply with Australian Accounting Standards, which, as stated in the "About this Report" section of the Financial Statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (b) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the consolidated group.
- (2) In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by Section 295A of the *Corporations Act 2001*.



Peter Lancken
Chairman
14 August 2018



Stuart Dawes
Managing Director and Chief Executive Officer
14 August 2018

Note:

Page references above refer to the original audited accounts. The equivalent pages in this appendix are II-A-143 to II-A-192.

THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2018



Independent Auditor's Report

To the stapled security holders of Property Group

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Propertylink Group (the Stapled Group Financial Report).

In our opinion, the accompanying Stapled Group Financial Report is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Stapled Group's** financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** of the Stapled Group comprises:

- Consolidated statement of financial position as at 30 June 2018
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Stapled Group** consists of Propertylink (Holdings) Limited and the entities it controlled at the year-end or from time to time during the financial year, Propertylink Trust and the entities it controlled at the year-end or from time to time during the financial year and Propertylink Australian Industrial Partnership and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Stapled Group and Propertylink (Holdings) Limited in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2018**



Key Audit Matters

The **Key Audit Matter** we identified for the Stapled Group is:

- Valuations of property assets held as Investment Property, Property, Plant & Equipment or through Equity Accounted Investments

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuations of property assets held as Investment Property, Property, Plant & Equipment or through Equity Accounted Investments

Refer to Note 8 'Investment Properties' (A\$696.2m), Note 9 'Property, Plant & Equipment' (A\$113.1m) and Note 11 'Equity Accounted Investments' (A\$100.9m) to the Financial Report

The key audit matter	How the matter was addressed in our audit
The Stapled Group's investment in property assets comprises freehold property held as Investment Property or leasehold property held as Property, Plant & Equipment, and indirectly, through investment in managed funds, which in turn own property. The Stapled Group is required to assess the fair value of all property assets. The valuation of property assets is a key audit matter as they: • are significant in value, • contain a number of significant assumptions which require estimation for each individual property. These significant assumptions include: • Earnings capitalisation rates, • Discount rates, • Market rents, • Vacancy levels, • Projections of capital expenditure, • Leasing incentives. These estimates lead to additional audit effort often due to the large number of differing assumptions and valuation models, across varying asset classes and geographies. Valuations of property assets are performed at each reporting period using the Stapled Group's internal valuation methodologies or by engaging external valuation experts. External valuations are obtained on property assets on a rotational basis at least once every two years with internal valuations performed when external valuations are not obtained.	Our procedures included: • Understanding the Stapled Group's processes regarding the valuation of property assets and testing controls for preparing (for internal), reviewing and approving the Stapled Group's valuations based on Stapled Group policies, and • Assessing the methodologies used in the valuations of property assets for consistency with accounting standards and Stapled Group policies. For a sample of properties in significant asset classes and across differing models: • Assessing the scope, competence and objectivity of external independent experts engaged by the Stapled Group and internal valuers; • Challenging key assumptions including earnings capitalisation rates, discount rates, market rent, vacancy levels, projections of capital expenditure and leasing incentives by comparing to commentary published by industry experts, recent market transactions and/or our knowledge of historical performance of the asset.

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2018**



Other Information

Other Information is financial and non-financial information in Propertylink Group's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of the Propertylink (Holdings) Limited are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors of the Propertylink (Holdings) Limited are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Stapled Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Stapled Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

**APPENDIX II-A AUDITED FINANCIAL STATEMENTS ON PROPERTYLINK FOR THE
THREE YEARS ENDED 30 JUNE 2018**

**THE AUDITED FINANCIAL STATEMENTS OF PROPERTYLINK FOR THE YEAR
ENDED JUNE 30, 2018**



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Propertylink (Holdings) Limited for the year ended 30 June 2018, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of Propertylink (Holdings) Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 40 to 49 of the Directors' report for the year ended 30 June 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Steven Gatt
Partner

Sydney
14 August 2018

PROPERTYLINK GROUP CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 20 MARCH 2019

		1-Jul-2018 to 20-Mar-2019	1-Jul-2017 to 31-Mar-2018
	Note	\$'000	(Unaudited) \$'000
Revenue			
Property revenue	2(b)	46,851	47,563
Management fee revenue	2(c)	11,323	29,280
Share of net profit of joint ventures	12(b)	15,802	15,949
Other income / (expenses)			
Gain on disposal of investment property		—	75
Net fair value gain on investment property	9(a)	26,656	28,379
Net fair value gain on listed entity investment	11	1,430	—
Listed entity distributions		5,947	—
Other income		273	289
Total revenue and other income		108,282	121,535
Expenses			
Corporate activity costs	4	(16,785)	—
Property expenses	3	(9,845)	(13,972)
Employment and management costs		(7,587)	(9,021)
Finance costs	5	(14,245)	(7,226)
Occupancy costs		(73)	(749)
Travel expenses		(413)	(474)
Legal and consultancy fees		(1,067)	(556)
Depreciation and amortisation expense		(667)	(78)
Administration and other expenses		(2,580)	(2,373)
Total expenses		(53,262)	(34,449)
Profit before income tax		55,020	87,086
Tax benefit/(expense)	6(a)	5,163	(5,142)
Profit after income tax		60,183	81,944
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Changes in the fair value of cash flow hedges		(1,761)	(248)
<i>Items that will not be reclassified to profit or loss:</i>			
Net fair value gain on property, plant and equipment	10(a)	—	11,168
Total comprehensive income		58,422	92,864

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

PROPERTYLINK GROUP CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 20 MARCH 2019

		1-Jul-2018 to 20-Mar-2019	1-Jul-2017 to 31-Mar-2018
	Note	\$'000	(Unaudited) \$'000
Profit after income tax attributable to:			
Shareholders of the parent entity		(12,255)	12,049
Unitholders of other stapled entities (non-controlling interests)		72,438	69,895
		60,183	81,944
Total comprehensive income attributable to:			
Shareholders of the parent entity		(12,255)	12,049
Unitholders of other stapled entities (non-controlling interests)		70,677	80,815
		58,422	92,864
Earnings per share on profit/(loss) attributable to shareholders of the parent entity		Cents	Cents
Basic earnings/(loss) per share	7	(2.04)	2.00
Diluted earnings/(loss) per share	7	(2.03)	2.00
Earnings per stapled security on profit attributable to stapled security holders			
Basic earnings per security	7	10.00	13.63
Diluted earnings per security	7	9.96	13.59

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

PROPERTYLINK GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 20 MARCH 2019

	Note	20-Mar-2019 \$'000	30-Jun-2018 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	17(a)	10,161	17,233
Trade and other receivables	17(b)	5,270	3,440
Prepayments		3,073	2,448
Current tax assets		3,540	—
TOTAL CURRENT ASSETS		22,044	23,121
NON-CURRENT ASSETS			
Equity accounted investments	12(b)	101,842	100,855
Investment properties	9(a)	859,015	696,200
Property, plant and equipment	10(a)	3,068	113,112
Investment in listed entity	11	135,679	—
Derivative financial instruments		—	299
Deferred tax assets	6(b)	6,848	4,408
Intangible assets	18	4,604	4,566
TOTAL NON-CURRENT ASSETS		1,111,056	919,440
TOTAL ASSETS		1,133,100	942,561
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17(c)	21,944	19,308
Lease liability	14	2,042	—
Current tax liabilities		—	2,358
Employee benefits		382	543
TOTAL CURRENT LIABILITIES		24,368	22,209
NON-CURRENT LIABILITIES			
Derivative financial instruments		1,323	—
Lease liability	14	15,749	—
Employee benefits		430	357
Borrowings	13	449,000	288,657
TOTAL NON-CURRENT LIABILITIES		466,502	289,014
TOTAL LIABILITIES		490,870	311,223
NET ASSETS		642,230	631,338

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

PROPERTYLINK GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 20 MARCH 2019

	Note	20-Mar-2019 \$'000	30-Jun-2018 \$'000
EQUITY			
Equity attributable to shareholders of the parent entity			
Issued capital	16(a)	65,642	5,364
Reserves		(27,200)	(23,673)
Retained earnings / (accumulated losses)		(28,007)	(15,752)
Parent entity shareholders' interest		<u>10,435</u>	<u>(34,061)</u>
Equity attributable to unitholders of other stapled entities			
Issued capital	16(b)	464,862	525,140
Reserves		7,745	9,506
Retained earnings / (accumulated losses)		159,188	130,753
Other stapled unitholders' interest		<u>631,795</u>	<u>665,399</u>
TOTAL EQUITY		<u>642,230</u>	<u>631,338</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Balance at 1 July 2017										
	5,364	(25,110)	(26,927)	(46,673)	525,206	(9,406)	61,518	577,318	530,645	
Comprehensive income for the period	—	—	12,049	12,049	—	10,920	69,895	80,815	92,864	
Securities issue costs	—	—	—	—	(66)	—	—	(66)	(66)	
Purchase of securities, net of transaction costs	—	(1,529)	—	(1,529)	—	—	—	—	(1,529)	
Security-based payments expense	—	2,225	—	2,225	—	—	—	—	2,225	
Dividends and distributions paid or provided for	—	—	—	—	—	—	(43,517)	(43,517)	(43,517)	
Balance at 31 March 2018 (unaudited)	5,364	(24,414)	(14,878)	(33,928)	525,140	1,514	87,896	614,550	580,622	
Balance at 1 July 2018										
Comprehensive income for the period	5,364	(23,673)	(15,752)	(34,061)	525,140	9,506	130,753	665,399	631,338	
Capital reallocation	—	—	(12,255)	(12,255)	—	(1,761)	72,438	70,677	58,422	
Purchase of securities, net of transaction costs	60,278	—	—	60,278	(60,278)	—	—	(60,278)	—	
Net effect of security-based payments	—	(2,471)	—	(2,471)	—	—	—	—	(2,471)	
Dividends and distributions paid or provided for	—	(1,056)	—	(1,056)	—	—	(44,003)	(44,003)	(44,003)	
Balance at 20 March 2019	65,642	(27,200)	(28,007)	10,435	464,862	7,745	159,188	631,795	642,230	

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PROPERTYLINK GROUP CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 20 MARCH 2019

		1-Jul-2018 to 20-Mar-2019	1-Jul-2017 to 31-Mar-2018
	Note	\$'000	(Unaudited) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		74,008	89,164
Interest received		58	93
Listed entity distributions		4,135	—
Payments to suppliers and employees		(32,760)	(31,277)
Finance costs paid		(10,502)	(6,964)
Income tax paid		(3,176)	(4,999)
Net cash provided by operating activities		31,763	46,017
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from joint ventures return of capital		4,500	6,481
Proceeds from sale of investment properties		—	32,259
Capital expenditure on investment properties		(8,232)	(8,985)
Holding costs for investment properties under development		(399)	—
Capital expenditure on leasehold buildings		—	(84)
Payment for investment in joint ventures		—	(24,712)
Payment for acquisition of listed entity units		(134,249)	—
Payment for acquisition of investment properties		(8,282)	(50,397)
Purchase of furniture, plant and equipment		(52)	(14)
Net cash used by investing activities		(146,714)	(45,452)
CASH FLOWS FROM FINANCING ACTIVITIES			
Securities issue costs		—	(66)
Proceeds from borrowings		158,361	59,393
Repayment of borrowings		—	(27,000)
Repayment of lease liability		(1,527)	—
Payments to purchase derivatives		(139)	—
Purchase of securities for security-based payments plans		(2,471)	(1,529)
Cash-settled security-based payments		(2,342)	—
Dividends and distributions paid		(44,003)	(43,517)
Net cash provided by/(used by) financing activities		107,879	(12,719)
Net decrease in cash and cash equivalents		(7,072)	(12,154)
Cash and cash equivalents at the beginning of financial year		17,233	20,002
Cash and cash equivalents at the end of the year	17(a)	10,161	7,848

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

**PROPERTYLINK GROUP
ABOUT THIS REPORT****In this section**

This section sets out the basis upon which the Group's Financial Statements are prepared.

Specific accounting policies are described in their respective notes to the Financial Statements. This section also shows information on new or amended accounting standards and their impact on the financial position and performance of the Group.

(a) Basis of preparation

Propertylink Group stapled securities were quoted on the Australian Securities Exchange under the "PLG" code and comprise one share in Propertylink (Holdings) Limited (PHL) and one unit in each of Propertylink Australian Industrial Partnership (PAIP) and Propertylink Trust (PT). In accordance with International Financial Reporting Standards, the entities within the Group must be consolidated for financial reporting purposes. The parent entity and deemed acquirer of PAIP and PT is PHL. This Interim Financial Report (the "interim report") therefore represents the consolidated results of PHL, and include PHL and its controlled entities, PAIP and its controlled entities and PT and its controlled entities (together the "Group"). Equity attributable to PAIP and PT form a non-controlling interest. The amount of non-controlling interest attributable to stapled securityholders is disclosed in the Statement of Financial Position.

On 20 March 2019 ESR Real Estate (Australia) Pty Ltd (ESR) acquired 98% of Propertylink Group stapled securities, and was entitled to compulsorily acquire the balance of the stapled securities. Subsequently ESR completed the compulsory acquisition and the Group was delisted from the ASX on 26 April 2019. These Financial Statements cover the period of 1 July 2018 to 20 March 2019, the deemed date of acquisition of Propertylink by ESR.

The comparative figures in the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows, and relevant notes thereto, are for the 9 months ended 31 March 2018 (being the closest comparable month end reporting date) and are unaudited. The difference in days between the period ended 1 July 2018 to 20 March 2019 for the current period compared to 1 July 2017 to 31 March 2018 has no material impact to the comparability of the periods. The comparative figures in the Consolidated Statement of Financial Position, and relevant notes thereto, are as at 30 June 2018 and were audited by the former auditors of the Propertylink Group.

The financial report was authorised for issue by directors on October 22, 2019.

The interim report has been prepared in accordance with the requirements of *AASB 134 Interim Financial Reporting* (AASB 134) issued by the Australian Accounting Standards Board ("AASB") and also complies with *IAS 34 Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB"). The interim report complies with the recognition and measurement criteria of Australian Accounting Standards and other authoritative pronouncements issued by the AASB, which also complies with the recognition and measurement criteria of International Financial Reporting Standards issued by the IASB. This interim report does not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Group's annual consolidated financial report as at 30 June 2018. The report has been prepared to comply with the requirements of the Hong Kong Stock Exchange for inclusion in the prospectus of ESR Cayman Ltd dated October 22, 2019.

PROPERTYLINK GROUP**ABOUT THIS REPORT (continued)**

The Group is a for-profit entity for financial reporting purposes under International Financial Reporting Standards.

Amounts in this interim report have been presented in Australian dollars and rounded off to the nearest thousand dollars, unless otherwise indicated.

The interim report except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Refer to the specific accounting policies within the notes to the interim report for the basis of valuation of assets and liabilities measured at fair value.

The interim report is prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. Under their respective constitutions, PT, PHL and PAIP are entitled to have regard to the interests of all members of the stapled group.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Critical accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements may require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Judgements and estimates which are material to the financial report are discussed in the following notes:

- Investment properties Note 9
- Leasehold buildings Note 9, 10
- Derivative financial instruments

(b) Principles of consolidation

The consolidated Financial Statements incorporate all of the assets, liabilities and results of Propertylink Group and its subsidiaries.

(i) Controlled entities

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 23. The assets, liabilities and results of all subsidiaries are fully consolidated into the financial

PROPERTYLINK GROUP**ABOUT THIS REPORT (continued)**

statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Inter-company transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

(ii) Joint arrangements

Investments in joint arrangements are classified as joint ventures based on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

Joint ventures

Investments in joint ventures are accounted for using the equity method. Under this method, the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the joint venture. In addition, the Group's share of the profit or loss of the joint venture is included in the Group's profit or loss.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture. Upon the joint venture subsequently making profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(c) New Accounting Standards applied in current period

Certain new accounting standards and interpretations are mandatory for the periods starting 1 July 2018.

AASB 9 *Financial Instruments* (effective application for the Group is 1 July 2018).

AASB 9 *Financial Instruments* addresses the classification, measurement and recognition of financial assets, financial liabilities and hedging.

The Group has applied AASB 9 hedge accounting requirements to its cash flow hedges.

ECL is calculated based on the simplified approach for trade and lease receivables (refer to Note 17(b)).

This standard did not have a material impact on the Group's Financial Statements on application.

AASB 15: *Revenue from Contracts with Customers* (effective application for the Group is 1 July 2018).

AASB 15 *Revenue from Contracts with Customers* provides a new five step model for recognising revenue earned from a contract with a customer. This standard did not have an impact on the Group's Financial Statements on application.

PROPERTYLINK GROUP**ABOUT THIS REPORT (continued)**

Certain new accounting standards and interpretations have been published that are not mandatory for the financial period starting 1 July 2018 but are available for early adoption. The Group have early adopted the following standards in these Financial Statements:

AASB 16: *Leases* (effective application for the Group is 1 July 2018).

AASB 16 *Leases* provides a new model for accounting for leases. The standard becomes mandatory for the June 2020 financial year. Early adoption is permitted under certain circumstances. Subsequent to ESR's acquisition of the Group, the Group was asked to early adopt AASB 16 from 1 July 2018 so as to align accounting treatment with ESR policies, as ESR adopted AASB 16 for other Australian entities on 1 January 2019.

The Group applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2018. On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2018.

As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for its operating leases – i.e. these leases are on-balance sheet.

At transition, the ROU asset related to the Melbourne Markets ground lease is measured at fair value at 1 July 2018 and accounted for as investment property using the fair value model in IAS 40 from 1 July 2018. For the remaining ROU assets, the Group has elected for them to be measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

There is no material impact on retained earnings as a result of the adoption of AASB 16.

As a lessor

The Group is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor, except for a sub-lease. The accounting for lessors under AASB 16 has remained substantially unchanged.

Under AASB 16, the Group is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset. At transition, the Melbourne Markets warehouses that were classified as property, plant and equipment and measured under the fair value model was reclassified to investment properties. This resulted in a decrease in property, plant and equipment and an increase in investment properties of \$112.75m. The property, now classified as investment

PROPERTYLINK GROUP**ABOUT THIS REPORT (continued)**

properties, continues to be measured under the fair value model, with fair value movements recognised in profit or loss. There is no impact to retained earnings.

The Group applied *AASB 15 Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

As a result of early adoption of AASB 16, the Group:

- Recognised “right of use” lease asset and lease obligation liability of \$17.5m in the Statement of Financial Position for its operating lease commitments; and
- Recognised in the Statement of Profit or Loss and Other Comprehensive Income, the amortisation of the “right of use” asset of \$0.6m and the finance expense associated with the lease liability of \$1.8m.
- reclassified Melbourne Markets warehouses with carrying amount of \$112.75m from property, plant and equipment to investment properties

(d) Notes to the financial statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important in understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group’s business;
- it relates to an aspect of the Group’s operations that is important to its future performance.

The notes are organised into the following sections:

<u>Group performance</u>	<u>Property portfolio assets</u>	<u>Capital and financial risk management and working capital</u>	<u>Other disclosures</u>
1. Operating segments	9. Investment properties	13. Borrowings	18. Intangible assets
2. Revenue	10. Property, plant & equipment	14. Lease liability	19. Security-based payments
3. Property expenses	11. Investment in listed entity	15. Commitments and contingencies	20. Related parties
4. Corporate activity costs	12. Equity accounted investments	16. Contributed equity	21. Parent entity disclosures
5. Finance costs		17. Working capital	22. Events after the reporting period
6. Taxation			23. Interests in subsidiaries
7. Earnings per stapled Security			24. Company details
8. Dividends and distributions			

PROPERTYLINK GROUP
NOTES TO THE FINANCIAL STATEMENTS

GROUP PERFORMANCE

In this section

This section explains the results and performance of the Group. It provides additional information about those individual line items in the Financial Statements that the Directors consider most relevant in the context of the operations of the Group.

NOTE 1. OPERATING SEGMENTS

(a) Description of segments

The Board of Directors has been identified as the Group's chief operating decision maker (CODM) as they are responsible for the strategic decision making within the Group. The Group's operating segments have been determined based on the internal information that is provided to the CODM and which is used to make strategic decisions. Refer to the table below for a brief description of the Group's operating segments.

Segment	Description
Property investment	Acquires, improves and leases industrial property, and co-invests in industrial and commercial property, both within the geographical location of Australia.
Management services	Fund and property management services for managed assets, and property management services for owned assets, within the geographical location of Australia.

(b) Segment information

Information related to each reporting segment for the period ended 20 March 2019 is set out below. Segment profit (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

Period 1 July 2018 to 20 March 2019	Property investments	Management services	Total
	\$'000	\$'000	\$'000
Revenue			
Operating revenue	62,498	11,323	73,821
Net fair value gain on investment property	26,656	—	26,656
Net fair value gain on listed entity investment	1,430	—	1,430
Listed entity distributions	5,947		5,947
Other income	212	16	228
Segment revenue and other income	96,743	11,339	108,082
Reconciliation to statutory revenue and other income:			
Other income			200
Total revenue and other income			108,282

PROPERTYLINK GROUP
NOTES TO THE FINANCIAL STATEMENTS

GROUP PERFORMANCE (continued)

Period 1 July 2018 to 20 March 2019	Property investments	Management services	Total
	\$'000	\$'000	\$'000
Expenses			
Property expenses	(9,798)	—	(9,798)
Other operating expenses	(1,147)	—	(1,147)
Finance costs	(13,990)	—	(13,990)
Total segment expenses	(24,935)	—	(24,935)
Segment profit before income tax	71,808	11,339	83,147
Reconciliation to statutory profit after tax:			
Corporate activity costs			(16,613)
Employee benefits expenses			(6,738)
Other operating expenses			(4,054)
Finance costs and depreciation expense			(922)
Tax benefit/(expense)			5,163
Profit after income tax attributable to owners of the stapled securities			60,183
Period 1 July 2017 to 31 March 2018 (Unaudited)	Property investments	Management services	Total
	\$'000	\$'000	\$'000
Revenue			
Operating revenue	63,345	29,280	92,625
Net fair value gain on investment property	28,379	—	28,379
Other income	302	—	302
Segment revenue and other income	92,026	29,280	121,306
Reconciliation to statutory revenue and other income:			
Other income			229
Total revenue and other income			121,535
Expenses			
Property expenses	(13,972)	—	(13,972)
Other operating expenses	(934)	—	(934)
Finance costs	(7,225)	—	(7,225)
Total segment expenses	(22,131)	—	(22,131)
Segment profit before income tax	69,895	29,280	99,175
Reconciliation to statutory profit after tax:			
Employee benefits expenses			(8,329)
Other operating expenses			(3,909)
Finance costs and depreciation expense			(80)
Tax benefit/(expense)			(5,142)
Profit after income tax attributable to owners of the stapled securities			81,944

PROPERTYLINK GROUP
NOTES TO THE FINANCIAL STATEMENTS

GROUP PERFORMANCE (continued)

As at 20 March 2019	Property investments \$'000	Management services \$'000	Total \$'000
Assets			
Equity accounted investments	101,842	—	101,842
Investment properties	859,015	—	859,015
Investment in listed entity	135,679	—	135,679
Other assets	9,016	12,624	21,640
Total segment assets	1,105,552	12,624	1,118,176
Reconciliation of segment assets to the Statement of Financial Position			
Cash and cash equivalents			7,397
Receivables and prepayments			600
Intercompany receivables			(11,133)
Current tax assets			3,540
Deferred tax assets			6,848
Intangible assets			4,604
Other plant and equipment			3,068
Total assets			1,133,100
Total segment liabilities	460,188	645	460,833
Reconciliation of segment liabilities to the Statement of Financial Position			
Intercompany payables			26,292
Lease liability			2,933
Other liabilities			812
Total liabilities			490,870
Segment net assets	645,364	11,979	657,343
As at 30 Jun 2018	Property investments \$'000	Management services \$'000	Total \$'000
Assets			
Equity accounted investments	100,855	—	100,855
Investment properties	696,200	—	696,200
Property, plant and equipment	112,750	—	112,750
Other assets	18,494	878	19,372
Total segment assets	928,299	878	929,177
Reconciliation of segment assets to the Statement of Financial Position			
Cash and cash equivalents			2,889
Receivables and prepayments			434
Intercompany receivables			725
Deferred tax assets			4,408
Intangible assets			4,566
Other plant and equipment			362
Total assets			942,561
Total segment liabilities	250,744	237	250,981

PROPERTYLINK GROUP
NOTES TO THE FINANCIAL STATEMENTS

GROUP PERFORMANCE (continued)

As at 30 Jun 2018	Property investments	Management services	Total
	\$'000	\$'000	\$'000
Reconciliation of segment liabilities to the Statement of Financial Position			
Intercompany payables			56,984
Other liabilities			3,258
Total liabilities			311,223
Segment net assets	677,555	641	678,196

NOTE 2. REVENUE

(a) Revenue recognition

All revenue is stated net of the amount of goods and services tax.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor, it has pricing latitude and is also exposed to credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Rental income

The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss.

Initial direct costs incurred in negotiating and arranging an operating lease are capitalised, then recognised as an expense over the lease term on the same basis as the lease income.

Lease incentives

Prospective lessees may be offered incentives as an inducement to enter into non-cancellable operating leases. These incentives may take various forms including rent-free periods, upfront cash payments, or a contribution to certain lessee costs such as fitout costs. Incentives are capitalised and amortised on a straight-line basis over the lease term as a reduction in rental income. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, it is reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the consolidated statement of profit or loss when the right to receive them arises.

PROPERTYLINK GROUP
NOTES TO THE FINANCIAL STATEMENTS

GROUP PERFORMANCE (continued)

Service charges, management charges and other outgoings recoverable from tenants

Income arising from expenses recharged to tenants is recognised in the period in which the compensation becomes receivable and is classified as outgoings recovery income.

Management fee income

Propertylink has contractual entitlements to management fee income, which are recognised as follows:

- Performance fees are generally only entitled to be charged on the sale of all assets of a fund, so such fees are only recognised when all assets have been sold and the Group is entitled to charge fees;
- Acquisition and other transaction related fees are recognised when the service has been provided and the Group is entitled to charge fees; and
- Investment and property management services are provided on a monthly basis and revenue is recognised each month.

Interest income

Interest income is recognised as it accrues using the effective interest rate method.

(b) Property revenue

	1-Jul-2018 to 20-Mar-2019	1-Jul-2017 to 31-Mar-2018 (Unaudited)
	\$'000	\$'000
Rental income	37,477	39,815
Outgoings recovery income	8,811	7,323
Make good recovery	563	425
Total property revenue	46,851	47,563

(c) Fees and other income

	1-Jul-2018 to 20-Mar-2019	1-Jul-2017 to 31-Mar-2018 (Unaudited)
	\$'000	\$'000
Management fee income:		
—Performance ¹	3,699	22,273
—Acquisitions	523	704
—Investment management	3,572	3,405
—Property management	2,591	2,586
—Other property services	938	312
Total management fee revenue	11,323	29,280

¹ Investment mandates generally allow for a performance fee to be paid in the event of investment performance above minimum hurdle rates. During the period performance fees were derived from Propertylink Office Partnership III (previous period: PHL Moelis Braeside Trust, Propertylink Office Partnership II and Propertylink Office Partnership investors).

PROPERTYLINK GROUP
NOTES TO THE FINANCIAL STATEMENTS

GROUP PERFORMANCE (continued)

NOTE 3. PROPERTY EXPENSES

	1-Jul-2018 to 20-Mar-2019	1-Jul-2017 to 31-Mar-2018 (Unaudited)
	\$'000	\$'000
Council rates and land tax	3,162	3,351
Repairs, maintenance and utilities	3,472	3,424
Ground lease	—	2,039
Property management expenses	1,925	1,863
Depreciation	—	2,047
Property insurance costs	648	482
Other	638	766
Total property expenses	9,845	13,972

NOTE 4. CORPORATE ACTIVITY COSTS

During the period Propertylink continued to operate the established business, and invested time and resources in analysing the merits of acquiring Centuria Industrial REIT (CIP). On 13 September 2018, Propertylink submitted a non-binding, indicative offer to acquire all outstanding units in CIP by way of an off-market takeover bid. Immediately prior to that offer, Propertylink had acquired a 17.7% interest in CIP. On 21 September 2018, ESR Real Estate (Australia) Pty Ltd (ESR) made an initial offer to acquire all outstanding Propertylink securities by way of an agreed takeover bid. Propertylink and its advisors devoted a significant amount of time and resources to assessing the merits of continuing with the CIP offer, compared with recommending to securityholders that they accept the ESR offer.

The CIP and ESR matters were occurring contemporaneously and costs pertaining to them are intertwined. Collectively the matters are referred to as “corporate activity” and the costs as “corporate activity costs”.

NOTE 5. FINANCE COSTS

Finance costs include interest, amortisation of borrowing costs incurred in connection with arrangement of borrowings, realised gains and losses on interest rate swaps and interest on lease liability. Borrowing costs are expensed as incurred unless they relate to qualifying assets.

	1-Jul-2018 to 20-Mar-2019	1-Jul-2017 to 31-Mar-2018 (Unaudited)
	\$'000	\$'000
Interest on bank loans	9,960	6,955
Interest on lease liability	1,761	—
Borrowing costs ¹	2,524	271
Total finance costs	14,245	7,226

¹ Borrowing costs for the period ended 20 March 2019 include \$1,573,419 in unamortised borrowing costs incurred to establish current facility. As at 20 March 2019 there is an expectation that the bank loans will be refinanced. Accordingly, the Group determined that all borrowing costs would be written off as at 20 March 2019.

PROPERTYLINK GROUP
NOTES TO THE FINANCIAL STATEMENTS**GROUP PERFORMANCE (continued)****NOTE 6. TAXATION**

Most of the Group's profit is earned by trusts which are not subject to taxation. Income from the trusts is instead attributed to unitholders who pay income tax at their marginal tax rates. Income tax is in respect of Propertylink (Holdings) Ltd and its subsidiaries only.

The income tax expense (income) for the period comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Current and deferred income tax expense (income) is charged or credited outside the profit and loss when the tax relates to items that are recognised outside the profit and loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can't be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

PROPERTYLINK GROUP
NOTES TO THE FINANCIAL STATEMENTS

GROUP PERFORMANCE (continued)

(a) Income tax expense/(benefit):

	1-Jul-2018 to 20-Mar-2019	1-Jul-2017 to 31-Mar-2018
	\$'000	(Unaudited) \$'000
Current tax (expense)/benefit	2,723	(4,077)
Deferred tax (expense)/benefit	2,440	(1,065)
Total tax expense	5,163	(5,142)

(b) Reconciliation of income tax (expense)/benefit to prima facie tax payable

	1-Jul-2018 to 20-Mar-2019	1-Jul-2017 to 31-Mar- 2018
	\$'000	(Unaudited) \$'000
Profit before income tax	55,020	87,086
Non-taxable profit attributable to Trusts	(72,452)	(92,518)
Profit/(loss) before income tax generated by PHL Group	(17,432)	17,099
Prima facie tax credit/(expense) at the Australian tax rate of 30%	5,230	(5,130)
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income</i>		
Non deductible items		
- Entertainment of clients and employees	(17)	(12)
Other adjustments		
- Lease adjustment (AASB 16 impact)	(50)	—
Income tax expense	5,163	(5,142)

(c) Deferred tax assets

	20-Mar-2019	30-Jun-2018
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Employee provisions	63	1,258
Initial public offering cost ¹	1,531	3,038
Corporate activity costs ¹	4,984	—
Other	270	112
Total deferred tax assets	6,848	4,408
Movement		
Opening balance at the beginning of the year	4,408	5,222
Movement in deferred tax asset arising from temporary differences	2,440	(814)
Closing balance at the end of the year	6,848	4,408

¹ Initial public offering and corporate activity costs are amortised over 5 years for tax purposes.

PROPERTYLINK GROUP
NOTES TO THE FINANCIAL STATEMENTS

GROUP PERFORMANCE (continued)

NOTE 7. EARNINGS PER SECURITY

Earnings per security are determined by dividing the net profit attributable to shareholders of the parent and security holders of the Group by the weighted average number of ordinary securities outstanding during the period. Diluted earnings per security are adjusted from the basic earnings per security by taking into account the impact of dilutive potential securities. For the purposes of calculating earnings per security, securities held by the Propertylink Employee Incentive Plan are treated as treasury securities and excluded from securities on issue.

(a) Net profit used in calculating basic and diluted earnings per security

	<u>1-Jul-2018 to 20-Mar-2019</u>	<u>1-Jul-2017 to 31-Mar-2018</u>
	\$'000	(Unaudited) \$'000
Profit/(loss) attributable to shareholders of the parent entity	(12,255)	12,049
Profit attributable to stapled securityholders	60,183	81,944

(b) Weighted average number of securities used as a denominator

	<u>20-Mar-2019</u>	<u>31-Mar-2018</u>
	No. of securities	(Unaudited) No. of securities
Weighted average number of ordinary stapled securities used in calculation of basic earnings per security	601,837,410	601,378,137
Weighted average number of ordinary stapled securities used in calculation of diluted earnings per security	604,357,823	603,149,394

(c) Basic and diluted earnings per security

	<u>20-Mar-2019</u>	<u>31-Mar-2018</u>
	cents	(Unaudited) cents
Basic earnings/(loss) per share - Parent	(2.04)	2.00
Diluted earnings/(loss) per share - Parent	(2.03)	2.00
Basic earnings per security - Group	10.00	13.63
Diluted earnings per security - Group	9.96	13.59
Adjustments for calculation of diluted earnings per stapled security:		
Performance rights granted but not yet issued as securities	—	1,771,257
Weighted average number of ordinary stapled securities and potential ordinary stapled securities	604,357,823	603,149,394

PROPERTYLINK GROUP
NOTES TO THE FINANCIAL STATEMENTS

GROUP PERFORMANCE (continued)

NOTE 8. DIVIDENDS AND DISTRIBUTIONS

Dividends and distributions are recognised when declared.

	1-Jul-2018 to 20-Mar-2019	1-Jul-2017 to 31-Mar-2018
	\$'000	\$'000
Distributions paid or declared:		
Profit distribution to PLG securityholders paid on 4 September 2017	—	21,821
Profit distribution to PLG securityholders paid on 6 March 2018	—	21,696
Profit distribution to PLG securityholders paid on 4 September 2018	22,303	—
Profit distribution to PLG securityholders paid on 31 January 2019	21,700	—
	<u>44,003</u>	<u>43,517</u>

PROPERTY PORTFOLIO ASSETS

In this section

This section details the assets which are used to generate the Group's performance and are considered to be the most relevant to the operations of the Group. The assets are detailed in the following notes:

Investment properties: relates to freehold and leasehold investment properties.

Property, plant and equipment: relates to leasehold premises and plant, furniture and equipment, both directly owned and leased.

Investment in listed entity: relates to investment in securities listed on ASX.

Investments accounted for using the equity method: provides summarised financial information on joint ventures. The Group's joint ventures comprise interests in property portfolio assets held through investments in trusts.

NOTE 9. INVESTMENT PROPERTIES

Investment property comprises completed property and property under construction or re-development (including integral plant and equipment) that are held to earn rentals and for capital appreciation. As reported in the Basis of Preparation section of this report, at the request of ESR the Group early adopted AASB 16. Following adoption of AASB 16, the Group re-classified the Melbourne Markets asset from Property, Plant and Equipment to Investment Properties.

Investment property is measured initially at cost, including transaction costs. The carrying amount also includes capital expenditure on investment property and components relating to lease incentives and assets relating to fixed increases in operating lease rentals in future periods.

PROPERTYLINK GROUP
NOTES TO THE FINANCIAL STATEMENTS

PROPERTY PORTFOLIO ASSETS (continued)

Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Investment properties are not depreciated for accounting purposes. Taxation allowances for the depreciation of buildings and plant and equipment contribute to the tax deferred component of distributions to stapled security holders.

When an investment property is disposed of, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

(a) Reconciliation

	1-Jul-2018 to 20-Mar-2019	1-Jul-2017 to 30-Jun-2018
	\$'000	\$'000
Opening balance at the beginning of the year	696,200	572,756
Melbourne Markets reclassified to investment property ¹	112,750	—
Right of use asset recognised ²	14,858	—
Opening balance following reclassification	823,808	572,756
Property acquisitions including acquisition costs	460	58,997
Property sales	—	(7,500)
Capital expenditure	7,148	12,175
Property holding costs capitalised	399	—
Capitalised straight-lining of fixed increases in operating leases inclusive of lease incentives	544	1,879
Net fair value gain/(loss) on investment property	26,656	57,893
Closing balance at the end of the year	<u>859,015</u>	<u>696,200</u>

The carrying amount of investment property includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to \$6,644,879 (30-Jun-2018: (\$345,460)).

- 1 On 1 July 2018 Melbourne Markets has been reclassified from Property, Plant & Equipment to Investment Property. Refer to AASB 16 accounting policy note in the About this Report section.
- 2 On 1 July 2018 the Group recognised \$14.16m “right of use” asset for Melbourne Markets use of land with corresponding lease liability for ground lease payments. At 20 March 2019 the “right of use” asset has been fair valued at \$14.86m.

(b) Fair value measurement - Investment property, investment property held for sale and property classified as property, plant and equipment

Each property is considered a separate asset class based on its unique nature, characteristics and risk. The Group’s policies on investment property valuations require that:

- management provide Directors with a view of the fair value of each property as each six-monthly reporting date approaches;
- where the view indicates the fair value of a property may materially differ from the current carried value, the Directors require that management procure an independent external valuation; and

PROPERTYLINK GROUP
NOTES TO THE FINANCIAL STATEMENTS

PROPERTY PORTFOLIO ASSETS (continued)

- all properties in the portfolio are to be subject to an independent external valuation at least once in any 24 month period.

All investment properties were independently valued at 31 December 2018. In order to prepare accounts at the date of acquisition the Group by ESR, Management provided the Directors with an assessment of property values at 20 March 2019. Those values were not materially different to the carrying values of the investment properties at that date, and no further adjustments were made to carrying values at 20 March 2019.

Highest and best use

For all investment property that is measured at fair value, the current use of the property is considered the highest and best use.

Fair value hierarchy

The fair values of investment property recognised in the consolidated statement of financial position are Level 3 of the fair value measurement hierarchy.

Valuation techniques used to derive fair values

The fair value is measured using capitalisation of net market income, discounted cash flow (DCF) approaches and comparable sales where appropriate.

Capitalisation (cap) approach

The capitalisation approach involves the addition of expected rent for the various components of the property and the deduction of outgoings and other expenses (where appropriate) in order to determine the net income of the property. This net market income is capitalised at the adopted capitalisation rate to derive a market value. The higher/lower the capitalisation rate is adopted, the lower/higher the valuation of a property.

Discounted cash flows (DCF) approach

The DCF approach involves discounting future net operating cash flows over a 10 year investment horizon at the adopted discount rate to derive a net present value for the property. The higher/lower the discount rate is adopted, the lower/higher the valuation of a property.

The Group's investment property have been valued adopting the following key unobservable inputs:

	Fair value		Valuation technique	Key unobservable inputs		
	20 Mar 2019	30 Jun 2018			20 Mar 2019	30 Jun 2018
	\$'000	\$'000				
Investment properties . . .	859,015	696,200	Cap approach	Capitalisation rate	5.35% - 8.50% (avg 6.41%)	5.5% - 9.50% (avg 6.61%)
			DCF approach	Discount rate	6.50% - 8.50% (avg 7.0%)	7.0% - 9.50% (avg 7.45%)

PROPERTYLINK GROUP
NOTES TO THE FINANCIAL STATEMENTS

PROPERTY PORTFOLIO ASSETS (continued)

Key estimates: inputs used to measure fair value of investment properties and leasehold buildings

Judgement is required in determining the following key assumptions:

- **Adopted capitalisation rate:** The rate at which net market rental revenue is capitalised to determine the value of a property. The rate is determined with regard to market evidence and the prior external valuation.
- **Adopted discount rate:** The rate of return used to convert cash flows, payable or receivable in the future, into present value. It reflects the opportunity cost of capital, that is, the rate of return the cash can earn if put to other uses having similar risk. The rate is determined with regard to market evidence and the prior external valuation.

(c) Sensitivity information

The table below highlights the sensitivity analysis of a 25 basis point change in capitalisation rate on the fair value of investment property:

		-25 basis points	+25 basis points
		\$'000	\$'000
Change in fair value of investment properties	20 Mar 2019	35,900	(31,750)
	30 Jun 2018	28,538	(25,883)

The table below highlights the sensitivity analysis of a 25 basis point change in discount rate on the fair value of investment property:

		-25 basis points	+25 basis points
		\$'000	\$'000
Change in fair value of investment properties	20 Mar 2019	15,266	(14,908)
	30 Jun 2018	12,185	(13,002)

NOTE 10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property – leasehold buildings

The Melbourne Markets leasehold property was previously classified as Property, Plant and Equipment. Following a change in accounting policy, the property has been reclassified to Investment Property effective 1 July 2018.

Depreciation

The depreciable amount is depreciated on a straight-line basis over the asset's useful life commencing from the time the asset is held ready for use. Leasehold property, plant and equipment are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

PROPERTYLINK GROUP
NOTES TO THE FINANCIAL STATEMENTS

PROPERTY PORTFOLIO ASSETS (continued)

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

Gains and losses on disposal are determined by comparing net proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(a) Property, plant and equipment - reconciliation

	1-Jul-2018 to 20-Mar-2019	1-Jul-2017 to 30-Jun-2018
	\$'000	\$'000
Leasehold buildings at fair value		
Opening balance at the beginning of the year	112,750	97,600
Reclassified to investment property	(112,750)	—
Capital expenditure on leasehold property	—	537
Capitalised straight-lining of fixed increases in operating lease income	—	252
Capitalised straight-lining of fixed increases in ground lease payments	—	(2,149)
Depreciation	—	(2,748)
Net fair value gain/(loss) on leasehold property	—	19,258
Closing balance at the end of the year	—	112,750
Other plant and equipment at cost		
Office leasehold improvements	234	282
Office equipment	65	80
Right of use assets	2,769	—
Total other plant and equipment	3,068	362
Total property, plant & equipment	3,068	113,112

At 30 June 2018 leasehold buildings consisted of one property - Melbourne Markets. The property has been reclassified to Investment Property on 1 July 2018.

PROPERTYLINK GROUP
NOTES TO THE FINANCIAL STATEMENTS

PROPERTY PORTFOLIO ASSETS (continued)

(b) Fair value measurement

Fair value hierarchy

The fair values of property, plant and equipment recognised in the consolidated statement of financial position are Level 3 of the fair value measurement hierarchy.

Refer to note 9(b) for valuation techniques and key estimates and judgements used to measure fair value of leasehold buildings.

The Group's leasehold buildings have been valued adopting the following key unobservable inputs:

	Fair value		Valuation technique	Key unobservable inputs	20 Mar 2019	30 Jun 2018
	20 Mar 2019	30 Jun 2018				
	\$'000	\$'000				
Leasehold buildings . . .	—	112,750	Cap approach	Capitalisation rate	N/A	7.00%
			DCF approach	Discount rate	N/A	8.00%

(c) Sensitivity information

The table below highlights the sensitivity analysis of a 25 basis point change in capitalisation rate on the fair value of Melbourne Markets property:

		-25 basis points	+25 basis points
		\$'000	\$'000
Change in fair value of leasehold buildings	20 Mar 2019	N/A	N/A
	30 Jun 2018	4,000	(4,000)

The table below highlights the sensitivity analysis of a 25 basis point change in discount rate on the fair value of Melbourne Markets property:

		-25 basis points	+25 basis points
		\$'000	\$'000
Change in fair value of leasehold buildings	20 Mar 2019	N/A	N/A
	30 Jun 2018	1,927	(1,883)

PROPERTYLINK GROUP
NOTES TO THE FINANCIAL STATEMENTS

PROPERTY PORTFOLIO ASSETS (continued)

NOTE 11. INVESTMENT IN LISTED ENTITY

Investment in listed entity is measured at fair value. Gains and losses arising from changes in the fair value of investment are included in profit or loss in the period in which they arise. The fair values of investment in listed entity recognised in the consolidated statement of financial position are Level 1 of the fair value measurement hierarchy.

	20-Mar-2019	30-Jun-2018
	\$'000	\$'000
Opening balance at the beginnig of the period	—	—
Acquisition of listed entity units	134,249	—
Net fair value gain on listed entity investment	1,430	—
Closing balance at the end of the period	<u>135,679</u>	<u>—</u>

NOTE 12. EQUITY ACCOUNTED INVESTMENTS

(a) Information about principal joint ventures

Set out below are the joint ventures of the Group. The entities listed below are unit trusts in which the Group holds equity. The proportion of equity held by the Group does not equal the voting rights held by the Group. The entities are controlled jointly with the external investors. The entities were formed in Australia and their principal activity is property investment in Australia.

PROPERTYLINK GROUP

NOTES TO THE FINANCIAL STATEMENTS

PROPERTY PORTFOLIO ASSETS (continued)

(b) Summarised financial information for equity accounted investments

Set out below is the summarised financial information for equity accounted investments, adjusted where necessary to reflect any differences in accounting policies between the Group and the investee:

20 March 2019	Propertylink Enhanced Partnership	50 Ann Enhanced Partnership	Propertylink Australian Commercial Trust I	PHL Moelis Braeside Trust ¹	POP II Investment Partnership ²	Propertylink Commercial Industrial Investments	Propertylink Australian Industrial Partnership II	POP III Investment Partnership	Total
Group's share (%)	25.00%	25.00%	15.00%	0.00%	0.00%	7.50%	17.13%	11.21%	
Proportion of voting rights	50.00%	50.00%	50.00%	0.00%	0.00%	50.00%	50.00%	50.00%	
Summarised financial position	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	2,862	3,584	2,258	—	—	825	2,289	2,840	14,658
Total current assets	3,992	2,941	2,712	—	—	641	4,035	3,080	17,401
Total non-current assets	129,765	165,410	195,553	—	—	32,800	325,034	126,162	974,724
Current financial liabilities	(42)	—	—	—	—	(165)	(708)	(240)	(1,155)
Other current liabilities	(1,777)	(3,534)	(3,117)	—	—	(188)	(2,574)	(297)	(11,487)
Non-current financial liabilities	(50,913)	(65,078)	(78,854)	—	—	(17,371)	(142,882)	(68,987)	(424,085)
Net assets	81,025	99,739	116,294	—	—	15,717	182,905	59,718	555,398
Group's share of joint venture's net assets	20,256	24,935	17,444	—	—	1,179	31,331	6,697	101,842
1 July 2018 to 20 March 2019 Summarised financial performance									
Revenue	28,185	12,113	26,670	—	—	3,649	41,869	11,900	124,386
Depreciation and amortisation	(56)	—	—	—	—	—	(990)	—	(1,046)
Interest income	21	27	30	—	—	9	31	22	140
Interest expense	(2,007)	(2,016)	(3,010)	—	—	(561)	(3,282)	(1,608)	(12,484)
Other expenses	(3,997)	(3,321)	(3,893)	—	—	(574)	(8,362)	(6,806)	(26,953)
Profit or loss from continuing operations	22,146	6,803	19,797	—	—	2,523	29,266	3,508	84,043
Income tax expense	—	—	—	—	—	—	—	—	—
Profit after tax from continuing operations	22,146	6,803	19,797	—	—	2,523	29,266	3,508	84,043
Total comprehensive income	22,146	6,803	19,797	—	—	2,523	29,266	3,508	84,043
Group's share of joint venture's total comprehensive income	5,536	1,701	2,970	—	—	189	5,013	393	15,802
Distribution received	6,957	409	166	—	—	80	1,486	1,163	10,261

1 The asset held by PHL Moelis Braeside Trust was sold in July 2017 and the trust was wound up.

2 The asset held by POP II, in which POP II Investment Partnership has 20% interest, was sold in July 2017, and the trust was wound up.

PROPERTYLINK GROUP

NOTES TO THE FINANCIAL STATEMENTS

PROPERTY PORTFOLIO ASSETS (continued)

(b) Summarised financial information for equity accounted investments (continued)

30 June 2018	Propertylink Enhanced Partnership	50 Ann Propertylink Enhanced Partnership	Propertylink Australian Commercial Trust I	PHL Moelis Braeside Trust ¹	POP II Investment Partnership ²	Propertylink Commercial Industrial Investments	Propertylink Australian Industrial Partnership II	POP III Investment Partnership	Total
Group's share (%)	25.00%	25.00%	15.00%	10.00%	20.00%	7.50%	17.13%	11.21%	
Proportion of voting rights	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	
Summarised financial position	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	2,120	1,949	1,389	—	—	1,075	1,465	1,822	9,820
Total current assets	3,120	2,133	1,751	—	—	1,110	3,829	2,164	14,107
Total non-current assets	180,251	162,534	175,988	—	—	31,000	302,150	121,400	973,323
Current financial liabilities	(27)	—	—	—	—	(30)	(127)	—	(184)
Other current liabilities	(5,761)	(3,042)	(1,391)	—	—	(438)	(5,913)	(1,270)	(17,815)
Non-current financial liabilities	(74,696)	(65,017)	(78,744)	—	—	(17,376)	(137,623)	(55,712)	(429,168)
Net assets	102,887	96,608	97,604	—	—	14,266	162,316	66,582	540,263
Group's share of associate's net assets	25,722	24,152	14,641	—	—	1,070	27,804	7,466	100,855
1 July 2017 to 31 March 2018 (unaudited) Summarised financial performance									
Revenue	23,321	29,592	22,171	90	1,252	3,790	33,439	11,850	125,505
Depreciation and amortisation	(52)	—	—	—	—	—	(955)	—	(1,007)
Interest income	2	19	7	12	115	9	37	15	216
Interest expense	(2,310)	(1,893)	(1,120)	(362)	—	(535)	(2,992)	(1,427)	(10,639)
Other expenses	(4,171)	(3,259)	(1,481)	83	—	(348)	(7,402)	(1,706)	(18,284)
Profit or loss from continuing operations	16,790	24,459	19,577	(177)	1,367	2,916	22,127	8,732	95,791
Income tax expense	—	—	—	—	—	—	—	—	—
Profit after tax from continuing operations	16,790	24,459	19,577	(177)	1,367	2,916	22,127	8,732	95,791
Total comprehensive income	16,790	24,459	19,577	(177)	1,367	2,916	22,127	8,732	95,791
Group's share of joint venture's total comprehensive income	4,199	6,115	2,944	(18)	273	219	1,792	425	15,949
Distribution received	1,928	1,006	—	2,511	6,647	63	836	102	13,093

1 The asset held by PHL Moelis Braeside Trust was sold in July 2017 and the trust was wound up.

2 The asset held by POP II, in which POP II Investment Partnership has 20% interest, was sold in July 2017, and the trust was wound up.

PROPERTYLINK GROUP
NOTES TO THE FINANCIAL STATEMENTS

CAPITAL MANAGEMENT

In this section

The capital structure of the Group is detailed in the following notes:

Debt: Borrowings in Note 13, Lease liability in Note 14 and Commitments and contingencies in Note 15.

Equity: Contributed equity in Note 16.

Note 17 provides a breakdown of the working capital balances held in the Statement of Financial Position.

NOTE 13. BORROWINGS

Borrowings are initially recognised at fair value net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are capitalised to borrowings and amortised in profit or loss over the expected life of the borrowings.

All borrowings with contractual maturities greater than 12 months after reporting date are classified as non-current liabilities.

	<u>20-Mar-2019</u>	<u>30-Jun-2018</u>
	\$'000	\$'000
Non-current		
Bank loan secured	449,000	290,000
Borrowing costs	—	(1,343)
Total non-current borrowings	<u>449,000</u>	<u>288,657</u>
Total borrowings	<u><u>449,000</u></u>	<u><u>288,657</u></u>

The bank loan is a commercial bill facility and is priced at a margin over 90-day BBSY rate. The facility is secured against the Group's investment properties, and by guarantees provided to the financier by certain Group entities. The facility is split into three tranches, a \$190m facility drawn to \$170m expiring on 15 February 2021, a \$150m facility drawn to \$135m expiring on 15 February 2023, and a \$160m facility drawn to \$144m expiring on 11 September 2020.

The Group has been in compliance with all debt covenants during the period. As at 20 March 2019 there is an expectation that the bank loans will be refinanced. Accordingly, the Group determined that all borrowing costs would be written off at 20 March 2019. The bank loans continue to be classified as non-current liabilities as they were not due for repayment in the twelve months following 20 March 2019.

PROPERTYLINK GROUP
NOTES TO THE FINANCIAL STATEMENTS

CAPITAL MANAGEMENT (continued)

NOTE 14. LEASE LIABILITY

The Group has adopted *AASB 16 Leases* on 1 July 2018 which resulted in recognition of lease liability. Refer to *About this Report* section (c) *New Accounting Standards applied in the current period* for more information.

	20-Mar-2019	30-Jun-2018
	\$'000	\$'000
Current lease liability	2,042	—
Non-current lease liability	15,749	—
Total lease liability	<u>17,791</u>	<u>—</u>

NOTE 15. COMMITMENTS AND CONTINGENCIES

(a) Commitments

(i) Capital commitments

As at 20 March 2019, the Group had no material capital commitments (30 June 2018: \$1.1m).

(ii) Lease receivable commitments

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortised over the lease term on the same basis as rental income.

The Group has entered into leases on its property portfolio. Industrial property leases typically have initial lease terms of between 5 and 10 years and include clauses to enable periodic fixed upward revision.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	20-Mar-2019	30-Jun-2018
	\$'000	\$'000
Within 1 year	53,417	52,885
After 1 year, but not more than 5 years	116,111	122,752
More than 5 years	<u>52,050</u>	<u>61,779</u>
	<u>221,578</u>	<u>237,416</u>

(b) Contingencies

At 20 March 2019 the Group had no contingent assets or liabilities (30 June 2018: \$Nil).

PROPERTYLINK GROUP
NOTES TO THE FINANCIAL STATEMENTS

CAPITAL MANAGEMENT (continued)

NOTE 16. CONTRIBUTED EQUITY

(a) Contributed equity of shareholders of the parent entity

		20-Mar-2019	30-Jun-2018
	Note	\$'000	\$'000
Opening balance at the beginning of the year		5,364	5,364
Reallocation of capital from other stapled entity's capital ¹	16(b)	60,278	—
Closing balance at the end of the year		<u>65,642</u>	<u>5,364</u>

(b) Contributed equity of unitholders of other stapled entities

		20-Mar-2019	30-Jun-2018
	Note	\$'000	\$'000
Opening balance at the beginning of the year		525,140	525,206
Issue of ordinary equity		—	—
Less security issue costs		—	(66)
Reallocation of capital to the parent entity's capital ¹	16(a)	(60,278)	—
Closing balance at the end of the year		<u>464,862</u>	<u>525,140</u>

The contributed equity of other stapled entities represents the issued capital of PT and PAIP.

- 1 On 29 August 2018 PT resolved to reallocate capital to PAIP and PHL so as to more closely align PLG capital with the capital employed by each of the stapled group members.

(c) Number of securities on issue

	20-Mar-2019	30-Jun-2018
	No. of securities	No. of securities
Opening balance at the beginning of the year	602,780,330	602,780,330
Issue of additional equity	—	—
Closing balance at the end of the year	<u>602,780,330</u>	<u>602,780,330</u>

Each stapled security ranks equally with all other stapled securities for the purposes of distributions and on termination of the Group.

Each stapled security entitles the holder to vote in accordance with the provisions of the Constitutions and the *Corporations Act 2001*.

NOTE 17. WORKING CAPITAL

(a) Cash and cash equivalents

Cash and cash equivalents of \$10.2m (30 Jun 2018: \$17.2m) comprise cash at bank and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

PROPERTYLINK GROUP
NOTES TO THE FINANCIAL STATEMENTS

CAPITAL MANAGEMENT (continued)

(b) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

The Group recognises an allowance for expected credit losses (ECLs) for all receivables held by the Group. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For rent and other trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date (i.e., a loss allowance for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default). The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The loss allowance relates to trade receivables due over 90 days.

	20-Mar-2019	30-Jun-2018
	\$'000	\$'000
Rent receivable	824	1,218
Less: expected credit loss	(154)	(244)
Total rent receivables	670	974
Fee receivable	1,537	1,510
Distribution receivable	2,671	638
Other receivables	235	161
Deposits paid	157	157
Total current trade and other receivables	5,270	3,440

An aging analysis of the trade receivables, which comprise rent and fee receivables, based on the invoice date and net of loss allowance, is as follows:

	20-Mar-2019	30-Jun-2018
	\$'000	\$'000
Within 90 days	2,144	2,468
91 to 180 days	1	—
Over 180 days	62	16
Total	2,207	2,484

PROPERTYLINK GROUP
NOTES TO THE FINANCIAL STATEMENTS

CAPITAL MANAGEMENT (continued)

(c) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

	<u>20-Mar-2019</u>	<u>30-Jun-2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Trade payables	14,614	3,799
Other payables and accrued expenses	5,680	13,334
GST payable	461	1,161
Bonds payable	1,189	1,014
	<u>21,944</u>	<u>19,308</u>

An aging analysis of the trade payables is as follows:

	<u>20-Mar-2019</u>	<u>30-Jun-2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Within 90 days	14,614	3,627
91 to 180 days	—	172
Over 180 days	—	—
Total	<u>14,614</u>	<u>3,799</u>

PROPERTYLINK GROUP
NOTES TO THE FINANCIAL STATEMENTS

OTHER DISCLOSURES

In this section

This section includes other information that must be disclosed to comply with the Accounting Standards, the *Corporations Act 2001* or the Corporations Regulations.

NOTE 18. INTANGIBLE ASSETS

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of the acquisition.

	20-Mar-2019	30-Jun-2018
	\$'000	\$'000
Software	38	—
Goodwill		
Cost	4,566	4,566
Intangible assets net carrying amount	<u>4,604</u>	<u>4,566</u>

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. An impairment loss is recognised in the Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount.

Management carry out a review of the recoverable amount of its goodwill at least annually. There has been no change in the carrying value of the goodwill as a result of the reviews.

NOTE 19. SECURITY-BASED PAYMENTS

	1-Jul-2018 to 20-Mar-2019	1-Jul-2017 to 31-Mar- 2018 (Unaudited)
	\$'000	\$'000
Staff bonuses ¹	1,285	1,953
	<u>1,285</u>	<u>1,953</u>

- ¹ The Group has established an Employee Incentive Plan to reward staff for performance over the short and long term. Short term incentives are issued by the Plan in the form of Restricted Securities, and long term incentives are issued by the Plan in the form of Performance Rights.

The Group's Employee Incentive Plans have awarded grants of Restricted Securities and Performance Rights to PLG stapled securities to eligible participants. The Short Term Incentive Plan (STI) grants are in the form of Restricted Securities, were for nil consideration, and are subject to satisfying specific service conditions. The Long Term Incentive Plan (LTI) grants are in the form of Performance Rights, were for nil consideration, and are subject to satisfying specific future performance and service conditions.

PROPERTYLINK GROUP
NOTES TO THE FINANCIAL STATEMENTS

OTHER DISCLOSURES (continued)

Short Term Incentive (STI) Plans

Eligible participants are usually granted Restricted Securities in August/September for performance-based services for the preceding financial year. Participants usually must remain in employment for the vesting period (generally approximately one year after grant) in order for the Restricted Securities to vest.

STI grants of Restricted Securities had a condition which entitled staff to early vesting in the event of a change of control of the Group. As a result of this provision, all staff holding Restricted Securities became entitled to unrestricted securities, and sold them into the ESR bid for the Group's securities.

Long Term Incentive (LTI) Plans

Employees (including senior executives) of the Group receive remuneration in the form of security-based payments, whereby employees render services as consideration for securities.

Following ESR's bid for the Group, the then Propertylink Board considered the position of holders of LTI Performance Rights, and decided that on a change of control all rights would be forfeited. However, the Board further decided that 50% of the value of the Performance Rights held would be paid to the holders as a cash bonus.

NOTE 20. RELATED PARTIES

(a) Key management personnel

Equity instruments disclosures relating to key management personnel

The relevant interest in PLG stapled securities held during the period by each key management personnel, including their personally related parties, are set out below:

	Opening balance 1-Jul-2018	Performance rights granted	Net acquisitions/ disposals	Closing balance 20-Mar-2019
Directors	13,276,946	824,889	(14,101,835)	—
Other key management personnel	5,902,574	549,178	(6,451,752)	—
Total	19,179,520	1,374,067	(20,553,587)	—

There were no loans with key management personnel or their related parties during the period ended 20 March 2019 and 30 June 2018.

PROPERTYLINK GROUP
NOTES TO THE FINANCIAL STATEMENTS

OTHER DISCLOSURES (continued)

(b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	1-Jul-2018 to 20-Mar-2019	1-Jul-2017 to 31-Mar-2018 (Unaudited)
	\$'000	\$'000
i. Fee income from key management personnel's related parties		
Project management fees - Nix Anderson Pty Ltd (associated with Derek Nix)	—	5
Rent received - Blue Gum Capital Pty Ltd (associated with Anthony Ryan)	21	36
	21	41
ii. Fee income from joint ventures		
Performance fees	3,699	17,506
Investment management fees	3,546	3,330
Property management fees	1,368	1,384
Acquisition fees	523	704
Other property services fees	938	308
	10,074	23,231

NOTE 21. PARENT ENTITY DISCLOSURES

The following information represents the standalone financial information for Propertylink (Holdings) Limited.

	20-Mar-2019	30-Jun-2018
	\$'000	\$'000
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	8,050	26,610
Non-current assets	18,439	13,308
TOTAL ASSETS	26,489	39,918
LIABILITIES		
Current liabilities	16,726	77,955
Non-current liabilities	2,880	31
TOTAL LIABILITIES	19,606	77,986
EQUITY/(DEFICIT)		
Issued capital	65,642	5,364
Capital reserve	(25,110)	(25,110)
Retained earnings	(33,649)	(18,322)
TOTAL EQUITY/(DEFICIT)	6,883	(38,068)

PROPERTYLINK GROUP
NOTES TO THE FINANCIAL STATEMENTS

OTHER DISCLOSURES (continued)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	1-Jul-2018 to 20-Mar-2019	1-Jul-2017 to 31-Mar-2018
	\$'000	(Unaudited) \$'000
Profit/(loss) after income tax	(15,327)	(7,170)
Total comprehensive income/(loss)¹	(15,327)	(7,170)

1 Total comprehensive loss for the parent company for the period ended 20 March 2019 includes corporate activity costs of \$16.6m.

NOTE 22. EVENTS AFTER THE REPORTING PERIOD

Since the end of the period, other than the matters disclosed above, the Directors are not aware of any matter or circumstance not otherwise dealt within the Financial Statements that has significantly or may significantly affect the operations of the Group, or state of the Group's affairs in future financial periods.

NOTE 23. INTERESTS IN SUBSIDIARIES

The subsidiaries listed below have either share capital consisting solely of ordinary shares or units in unit trusts, which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business and country of incorporation or registration is Australia.

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

Parent Entity:

Propertylink (Holdings) Ltd (stapled entities - Propertylink Trust and Propertylink Australian Industrial Partnership)

Subsidiaries of Propertylink (Holdings) Ltd

Controlled entities of Propertylink Trust

	20-Mar- 2019	30-Jun- 2018		20-Mar- 2019	30-Jun- 2018
	%	%		%	%
Propertylink Trust	0%	0%	Propertylink Office Partnership Trust	100%	100%
	(100% NCI)	(100% NCI)	POP II PT	100%	100%
Propertylink Australian Industrial Partnership	0%	0%	PAIP II PT	100%	100%
	(100% NCI)	(100% NCI)	POP III PT	100%	100%
Propertylink Funds Management Pty Ltd	100%	100%	PEP PT	100%	100%

PROPERTYLINK GROUP
NOTES TO THE FINANCIAL STATEMENTS

OTHER DISCLOSURES (continued)

	20-Mar- 2019	30-Jun- 2018		20-Mar- 2019	30-Jun- 2018
	%	%		%	%
Propertylink Admin					
Management Pty Ltd	100%	100%	50 Ann PEP PT	100%	100%
Propertylink Capital Pty Ltd . . .	100%	100%	PURP PT	100%	100%
Propertylink Services					
Management Pty Ltd	100%	100%			
Propertylink Investment					
Management Ltd	100%	100%			
Infralink (Australasia) Pty					
Ltd	100%	100%			
MITSA Pty Ltd	100%	100%			
Propertylink (Australasia) Pty					
Ltd	100%	100%			
Propertylink WIM Pty Ltd	100%	100%			
Propertylink PAIP Pty Ltd	100%	100%			
Propertylink Nominees Pty					
Ltd	100%	100%			
BBR 15 Pty Ltd	100%	100%			
PAIP II MA Nominees Pty					
Ltd	100%	100%			
PAIP II BA Nominees Pty					
Ltd	100%	100%			
PEP Nominees I Pty Ltd	100%	100%			
PEP Nominees II Pty Ltd	100%	100%			
PEP Nominees III Pty Ltd	100%	100%			
PURP Nominees I Pty Ltd	100%	100%			
PURP Nominees II Pty Ltd	100%	100%			
PURP PHL Trust	100%	100%			
PHL N Orion Road Trust					
No 2	100%	100%			
Propertylink Employee					
Incentive Plan Trust	100%	100%			

Controlled entities of Propertylink Australian Industrial Partnership

	20-Mar- 2019	30-Jun- 2018		20-Mar- 2019	30-Jun- 2018
	%	%		%	%
PHL Hold Trust			PAIP N Niagara Close		
	100%	100%	Trust	100%	100%
PHL Hold Trust 2			PAIP N Orielton Road		
	100%	100%	Trust	100%	100%
PHL NW Trust			PAIP N Rodborough Road		
	100%	100%	Trust No 1	100%	100%
PHL V Trust			PAIP N Rodborough Road		
	100%	100%	Trust No 2	100%	100%
PHL Q Trust	100%	100%	PAIP V Cherry Lane Trust . .	100%	100%
PHL DX Trust	100%	100%	PAIP V Lakes Drive Trust . .	100%	100%
PHL MM Trust	100%	100%	PAIP V Main Road Trust . . .	100%	100%

PROPERTYLINK GROUP
NOTES TO THE FINANCIAL STATEMENTS

OTHER DISCLOSURES (continued)

	20-Mar- 2019	30-Jun- 2018		20-Mar- 2019	30-Jun- 2018
	%	%		%	%
PHL U Trust	100%	100%	PAIP V Mt Derrimut Road Trust	100%	100%
PHL N Orion Road Trust No 1	100%	100%	PAIP V Ricketts Road Trust	100%	100%
PAIP Holdco Pty Ltd	100%	—	PAIP V Strezlecki Avenue Trust	100%	100%
PAIP N Airs Road Trust	100%	100%	PAIP V Taryn Drive Trust ..	100%	100%
PAIP N Boundary Road Trust	100%	100%	PAIP V Whiteside Road Trust	100%	100%
PAIP N Brunker Road Trust ...	100%	100%	PAIP V Woodlands Drive Trust	100%	100%
PAIP N Gundah Road Trust ...	100%	100%	PAIP WA Leadership Way Trust	100%	100%
PAIP N Mandarin Street Trust	100%	100%	PAIP WA McDowell Street Trust	100%	100%
PAIP N Newton Road Trust No 1	100%	100%	PAIP WA Modal Crescent Trust	100%	100%
PAIP N Newton Road Trust No 2	100%	100%			

NOTE 24. COMPANY DETAILS

The registered office of the company is

Level 29, 20 Bond Street

SYDNEY NSW 2000

**PROPERTYLINK GROUP
DIRECTORS' DECLARATION**

In accordance with a resolution of Propertylink (Holdings) Limited, the Directors declare that:

1. The Financial Statements and notes, as set out on pages II-B-1 to II-B-40:
 - (a) comply with Australian Accounting Standards, which, as stated in the “About this Report” section of the Financial Statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (b) give a true and fair view of the financial position as at 20 March 2019 and of the performance for the period ended on that date of the consolidated group.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Philip Pearce

Director, Chief Executive Officer

Date

October 22, 2019

Independent Auditor's Report to the Directors of Propertylink Group

We set out below our report on the interim financial report (the “Stapled Group Interim Financial Report”) of Propertylink Group (the “Stapled Group”) comprising the consolidated statement of financial position as at 20 March 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 1 July 2018 to 20 March 2019, together with the notes thereto prepared on the basis set out in the Basis of preparation note of the Stapled Group Interim Financial Report, for inclusion in the prospectus of ESR Cayman Ltd dated October 22, 2019 (the “Prospectus”).

The Stapled Group comprises Propertylink (Holdings) Limited, Propertylink Trust and Propertylink Australian Industrial Partnership and the entities controlled by them as at 20 March 2019 or from time to time during the period from 1 July 2018 to 20 March 2019.

Opinion

We have audited the Stapled Group Interim Financial Report of the Stapled Group as at 20 March 2019 and for the period then ended.

In our opinion the accompanying Stapled Group Interim Financial Report comprising the consolidated statement of financial position as at 20 March 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 1 July 2018 to 20 March 2019 of the Stapled Group, together with the notes thereto are prepared, in all material respects in accordance with the basis of preparation set out in the Basis of preparation note of the Stapled Group Interim Financial Report.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Interim Financial Report* section of our report. We are independent of the Stapled Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the “Code”) that are relevant to our audit of the Stapled Group Interim Financial Report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Matter

The Stapled Group Interim Financial Report has been prepared for the period from 1 July 2018 to 20 March 2019. The corresponding prior period comparatives for the interim period comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Stapled Group for the period from 1 July 2017 to 31 March 2018, together with the notes thereto was not subject to an audit as there was no financial reporting requirement for that comparative interim period.

Independent Auditor's Report to the Directors of Propertylink Group (continued)**Responsibilities of the Directors for the Stapled Group Interim Financial Report**

The directors of the Stapled Group are responsible for the preparation of the Stapled Group Interim Financial Report that is prepared in accordance with the basis of preparation set out in the Basis of preparation note of the Stapled Group Interim Financial Report and for such internal control as the directors determine is necessary to enable the preparation of the Stapled Group Interim Financial Report that is prepared in accordance with the basis of preparation and is free from material misstatement whether due to fraud or error.

The directors have prepared the Stapled Group Interim Financial Report in accordance with the requirements of AASB 134 *Interim Financial Reporting* ("AASB 134") issued by the Australian Accounting Standards Board ("AASB") and also complies with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB"). The Stapled Group Interim Financial Report complies with the recognition and measurement criteria of Australian Accounting Standards and other authoritative pronouncements issued by the AASB, which also complies with the recognition and measurement criteria of International Financial Reporting Standards issued by the IASB.

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

Auditor's Responsibilities for the Audit of the Interim Financial Report

Our objectives are to obtain reasonable assurance about whether the Stapled Group Interim Financial Report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this interim financial report.

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

- Identify and assess the risks of material misstatement of the Stapled Group Interim Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Stapled Group's internal control.

Independent Auditor's Report to the Directors of Propertylink Group (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Stapled Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Stapled Group Interim Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Stapled Group to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Stapled Group in order to express an opinion on the Stapled Group Interim Financial Report. We are responsible for the direction, supervision and performance of the Stapled Group audit. We remain solely responsible for our audit opinion.

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

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

Ernst & Young

St Elmo Wilken
Partner

Sydney
October 22, 2019

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma data relating to our net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on our net tangible assets as of June 30, 2019 as if the Global Offering had taken place on that date.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to the owners of the Company as of June 30, 2019 or any subsequent dates, including following the Global Offering.

	Unadjusted Audited Consolidated Net Tangible Assets of our Group Attributable to the Owners of the Company as of June 30, 2019 ⁽¹⁾	Estimated Net Proceeds from the Global Offering ⁽²⁾	Estimated Impact Related to the Conversion of Class C Preference Shares Immediately Prior to the Completion of the Global Offering ⁽³⁾	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets of our Group Attributable to the Owners of the Company	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets Per Share ⁽⁴⁾⁽⁵⁾	
	(US\$ in thousands)	(US\$ in thousands)	(US\$ in thousands)	(US\$ in thousands)	(US\$)	(HK\$)
Based on an Offer						
Price of						
HK\$14.58 per						
Offer Share, after						
Downward Offer						
Price Adjustment						
of 10%	2,001,941	493,633	65,835	2,561,409	0.84	6.62
Based on an Offer						
Price of						
HK\$16.20 per						
Share	2,001,941	550,327	65,835	2,618,103	0.86	6.76
Based on an Offer						
Price of						
HK\$17.40 per						
Share	2,001,941	592,323	65,835	2,660,099	0.88	6.87

Notes:

- (1) The unadjusted audited consolidated net tangible assets of our Group attributable to the owners of the Company as of June 30, 2019 is extracted from the Accountants' Report set out in Appendix I to this Prospectus, which is based on the audited consolidated net assets of our Group attributable to the owners of the Company as of June 30, 2019 of approximately US\$2,438.9 million with an adjustment for the intangible assets of US\$96.7 million and goodwill of US\$340.2 million as of June 30, 2019.
- (2) The estimated net proceeds to be received by the Company from the Global Offering are based on the indicative Offer Price of HK\$16.20 and HK\$17.40 per Share, and also based on an Offer Price of HK\$14.58 per Offer Share after making a Downward Offer Price Adjustment of 10%, after deduction of the underwriting fees and other related expenses payable by the Company (excluding listing expenses of approximately US\$8.0 million, which have been accounted for in the consolidated statement of comprehensive income prior to June 30, 2019), and assuming that all of the steps contained in the IPO Implementation Deed which are contemplated to take effect prior to the Global Offering have been effected as described in the section headed "History, Development and Corporate Structure—IPO Implementation Arrangements" in this Prospectus and assuming solely for the purposes of calculating the number of Shares in issue, that

the Listing Date is Friday, November 1, 2019. The calculation of net proceeds mentioned in the section headed “Future Plans and Use of Proceeds” in this Prospectus represents the estimated gross proceeds less all listing expenses (including such amounts already incurred in 2018 and 2019).

- (3) Immediately prior to the completion of the Global Offering, 49,071,962 of the Class C Preference Shares will be converted into Class C Shares, after which the carrying amounts of US\$65.8 million recorded as a liability of the Company will be transferred to the Company’s equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible assets attributable to the owners of the Company will be increased by US\$65.8 million, being the carrying amounts of such Class C Preference Shares as of June 30, 2019.
- (4) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 3,036,243,839 Shares, 3,036,901,934 Shares and 3,035,183,478 Shares were in issue (including 280,140,000 New Shares) based on an Offer Price of HK\$16.20 per Share, HK\$17.40 per Share or HK\$14.58 per Share, being the final Offer Price under the Downward Offer Price Adjustment, respectively, and assuming that all of the steps contained in the IPO Implementation Deed which are contemplated to take effect pursuant to such agreement have been effected as described in the section headed “History, Development and Corporate Structure—IPO Implementation Arrangements” in this Prospectus and assuming solely for the purposes of calculating the number of Shares in issue, that the Listing Date is Friday, November 1, 2019.
- (5) Save as aforesaid, no adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of our Group entered into subsequently to June 30, 2019.

(B) LETTER FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from our independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the unaudited pro forma financial information of the Group.

22/F, CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong



October 22, 2019

The Directors
ESR Cayman Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of ESR Cayman Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at June 30, 2019, and related notes as set out in Part A of Appendix III to this Prospectus issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in note in Part A of Appendix III to this Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at June 30, 2019 as if the transaction had taken place at June 30, 2019. As part of this process, information about the Group’s financial position, has been extracted by the Directors from the Group’s financial statements for the period ended June 30, 2019, on which an accountants’ report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

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

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

We commissioned the following report from JLL, an independent third party (the “JLL Report”) for use in this Prospectus to provide prospective investors with information relating to the APAC economy and the logistics real estate market in which we operate. JLL is a global real estate services firm. We have agreed to pay JLL a fee of US\$225,000 for the preparation of the JLL Report. As of the Latest Practicable Date, we have paid US\$225,000 of this fee.

The JLL Report was prepared by JLL based on data from proprietary JLL internal databases, third party databases, public sources, company reports, site visits, and industry contacts. In the course of its research, JLL conducted primary and secondary research. JLL adopted the above sources of information and considered them reliable primarily because it aligns with the research methodology used by JLL across its existing research platform, and JLL believes it aligns with the approach most firms would use to undertake such research. While preparing the JLL Report, JLL has relied on the assumptions that the data and sources used in the JLL Report are accurate and accordingly, JLL does not accept any liability for loss suffered by any party resulting from reliance on such information. While the JLL has taken reasonable care to ensure that any data compiled by JLL and used in this presentation has been accurately reproduced, such data has not been independently verified by us, the Selling Shareholders, the Joint Sponsors, any other party involved in the Global Offering or any of our or their respective directors, officers, employees, representatives, agents, affiliates or advisers, and no representation is given as to its correctness, accuracy and completeness. See the section headed “Risk Factors—Risks Relating to the Global Offering—Certain data and information in this Prospectus were obtained from third-party sources and were not independently verified by us.” Our Directors confirm that, after taking reasonable care, there is no material adverse change in the market information since the date of the JLL Report, which may qualify, contradict or have an impact on the information as disclosed in this Prospectus.

October 22, 2019

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1. Executive Summary

This Report examines the factors that drive demand for logistics properties in the macro- and socio-economic context in Asia Pacific (APAC). In particular, the Report examines both the historical and future growth potential of e-commerce and third-party logistics service providers (3PL service providers), and their impact on the logistics sector within the region. At a country level, the Report assesses the logistics real estate market in China, Japan, South Korea, Singapore, Australia and India—with a focus on three countries: China, Japan, and South Korea.

APAC has been leading global economic growth over the past 15 years, with real GDP per capita growing at a compound annual growth rate (CAGR) of 4.1% from 2013 to 2018, compared to the 1.7% growth in the U.S. and 1.8% in the European Union over the same period¹. We expect this trend to continue. Six economies in APAC—China, Japan, South Korea, Singapore, Australia and India—account for close to 90% of the nominal GDP in APAC. The region's rapid economic expansion has been a key driver for the growth of the APAC logistics real estate market. Other key factors include continued population growth, a rising middle class driving higher spending and consumption growth, rapid uptake of mobile technology and consumption, and e-commerce growth. E-commerce in particular is expected to help drive future expansion of APAC's logistics sector.

The APAC logistics real estate market continues to develop, although differences in the scale and maturity between markets can be wide. Some markets, such as Australia and Japan, are relatively mature, while others are in their early growth phase of development. At an aggregate level, the potential for further development is high. The APAC logistics real estate market attracts both global and regional players, helping to support expansion of the sector. More high specification modern logistics facilities are expected to be built over the next few years, with logistics floor space growing rapidly in China, Japan, South Korea, and India.

Logistics services provided to e-commerce companies primarily include, among others, warehousing and fulfilment, contract logistics, express delivery, freight forwarding, and ground transportation. With total annual revenue of US\$ 120 billion², APAC accounted for 42.9% of the global e-commerce logistics market in 2018, nearly one-third larger than the North American share of 32.3% and nearly double that of Europe at 21.3%. By 2023, APAC is expected to account for one half of the global market (49.7%).

Many consumer goods manufacturers and e-commerce companies choose to outsource their logistics operations, and engage contract logistics companies to design and manage supply chain, distribution and warehousing. The 3PL market is comprised of freight-forwarding and contract logistics. Globally in 2018, contract logistics accounted for approximately 60% of the entire global 3PL market, and is expected to account for a similar proportion in 2023. This growth is primarily driven by continued demand for contract logistics in APAC, particularly in China, Japan, South Korea, Singapore, Australia, and India.

Changing consumer expectations for express delivery and last-mile services increase demand from e-commerce companies, retailers and 3PL service providers for modern logistics facilities located around major urban centers and transport nodes. China's Belt and Road Initiative has directed significant investment into ports, railways, highways, power plants and economic zones to the benefit of destination markets in APAC. Improving transportation infrastructure facilitates the growth of

¹ Oxford Economics, August 2019.

² Transport Intelligence, 2019.

modern logistics real estate markets, particularly in countries with relatively low logistics space per capita, such as China, South Korea, and India. Per capita stock of logistics facilities in the six largest logistics markets in the region (China, Japan, South Korea, Singapore, Australia, and India) currently measures just 0.5 sqm, almost one-seventh of the per capita space available in the US³. However, logistics space in the six countries as a share of population or GDP remains much lower than that in the US, and the supply of modern facilities⁴ as a percentage of total warehouse space is relatively small.

China

As the world's second largest out-sourced contract logistics market with revenue of US\$ 33.9 billion in 2018, second only to the US, the China market is expected to grow at a 2018-2023 CAGR of 11.3%⁵. Since the mid-2000s, growth in China's 3PL market has been driven by a number of factors, including: increasing domestic consumption, expansion in the retail sector (especially the e-commerce sector), a growing manufacturing sector, import and export growth, and World Trade Organization-related policy changes.

Despite the rapid growth in demand, the supply of logistics space remains relatively limited on a per capita basis. Nonetheless, growth in China's e-commerce sector continues to drive increasing development activity. Many global 3PL service providers have strategically planned their expansion around expressways in gateway cities. This has been evident in cities such as Shanghai, Beijing and Guangzhou, where there has been a gradual convergence of rents between satellite cities of major urban centers and those in second-tier cities.

Japan

Japan has the second largest stock of logistics facilities after China in APAC, but a large portion of its logistics facilities are owned by corporates for captive use, and the percentage of modern logistics facilities is relatively low. Consequently, there is strong demand for large modern logistics facilities, especially in the Greater Tokyo and the Greater Osaka areas. The vacancy rate in areas close to major urban centers remains low, largely due to strong demand from e-commerce and 3PL service providers.

South Korea

South Korea's logistics market is relatively less mature when compared with Japan. The primary logistics hubs in South Korea are within the Seoul Capital Area, or the Greater Seoul region, which consists of Seoul, Incheon, and the Gyeonggi province encircling Seoul. Between 2000 and 2017, the Seoul Metropolitan area accounted for over 50% of national GDP growth⁶. Increasing levels of online shopping, demand from 3PL service providers, and a strong infrastructure network are driving demand for modern logistics properties, leading to the overall growth of the modern logistics market.

³ JLL estimates, government data, Oxford Economics, 2Q19.

⁴ References to modern facilities in the report refer to Grade A standards. The classification of modern and non-modern warehousing can be found in section 3.2.

⁵ Transport Intelligence, 2019.

⁶ Regions and Cities at a Glance 2018, Korea (OECD).

Singapore

The expansion of the 3PL sector remains a key driver of leasing demand in Singapore. The 3PL sector has been a big beneficiary of the rise of e-commerce. This trend is expected to continue, supported by greater adoption of online shopping by consumers and technological advancement.

Australia

Occupier demand remained strong nationwide⁷. Demand over 2019 has remained strong with industrial floor space take-up levels on track to reach similar levels recorded over the past four years—that is, above the 10-year annual average of 2.1 million sqm. National take-up levels have so far reached 1.2 million sqm in 1H19. The demand-supply dynamic is relatively balanced nationally, translating to a relatively robust rental growth rate. Overall activity continues to be led by Melbourne with the concentration of transactions in the transport, postal and warehousing sector. We also recorded a marked improvement in the demand environment in Perth. Demand in Sydney remains firm, while the Brisbane occupier market continues its recovery. On a y-o-y basis, national prime weighted rents grew by 3.7%, supported by quarterly 2Q19 growth of 1.6%. However, there are significant differences across markets and precincts, with growth led by the Sydney and Melbourne industrial markets.

India

The logistics sector remains relatively under-developed and has significant growth potential. The introduction of the Goods and Services Tax reforms, implemented on July 1, 2017, has numerous benefits for the logistics sector. Robust economic growth, a young demographic profile, an expanding 3PL sector, growth in last-mile delivery, and the integration of technology and automation into warehousing and logistics space have created an emerging source of occupier demand and have helped support leasing volume and take-up rates. For example, in the first half of 2019, total absorption reached 435,990 sqm (4.69 million sq ft) in NCR Delhi, up over 41% from 307,321 sqm.

2. An Introduction to Logistics

Modern economies critically depend on the flow of goods and services, and the speed at which goods can get from manufacturers to consumers is a vital component of the global economy. Without affordable and reliable transport of freight, manufacturers would not be able to effectively meet the consumption needs of customers around the world from their facilities. Thus, logistics constitutes an important part in the growth and development of economies. A number of APAC countries are near the top of trade logistics performance globally⁸. Japan (ranked 5th place) and Singapore (7th place) for instance are near the top of a global league of 160 countries in terms of logistics performance, alongside markets in Europe (e.g. Germany and the United Kingdom are ranked first and ninth, respectively) and the US (14th place). Australia (18th place) and industrial powerhouses such as South Korea (25th place) and China (26th place) also rank highly, while India (44th place) and Southeast Asian countries are much further down the ladder. However, there is significant potential for improvement across all these countries, driven by tailwinds of rapid economic growth, rising domestic consumption, strong population growth, and relatively high spending on infrastructure.

⁷ JLL considers Sydney, Melbourne, Brisbane, Perth, Adelaide, and Canberra as Australia's tier 1 cities

⁸ World Bank's Logistics Performance Index 2018—a biennial survey that measures the quality of a country's supply chain, and trade and transport infrastructure.

Table 1: Key Economic indicators

	Real GDP per capita, US\$		Total Population		Average household personal disposable income		Private consumption, nominal, US\$	
	2013- 2018	2018- 2023F	2013- 2018	2018- 2023F	2013- 2018	2018- 2023F	2013- 2018	2018- 2023F
CAGR %								
APAC	4.1	3.8	0.8	0.7	n/a	n/a	n/a	n/a
<i>China</i>	6.3	5.4	0.5	0.3	5.3	4.2	8.0	10.6
<i>Japan</i>	1.2	1.0	-0.2	-0.3	0.5	0.4	-1.9	1.7
<i>South Korea</i>	2.6	2.3	0.4	0.3	2.0	1.1	3.6	4.2
<i>Singapore</i>	2.2	1.1	1.1	1.0	2.7	1.1	2.1	6.9
<i>Australia</i>	1.0	1.0	1.6	1.5	0.1	1.3	-1.2	6.2
<i>India</i>	6.3	5.8	1.2	1.0	3.6	4.8	8.6	11.1
United States	1.7	1.2	0.7	0.7	2.3	1.4	4.3	4.0
European Union (ex. U.K.)	1.8	1.3	0.2	0.1	n/a	n/a	n/a	n/a

Source: Oxford Economics, August 2019

2.1 Drivers of global logistics real estate

Macro-trends at the global and regional levels are important to the development of the logistics sector. Economic growth, consumption and retail spending, and e-commerce (and through this, supply chain modernization) all underpin growth in the logistics sector and thus demand for logistics real estate.

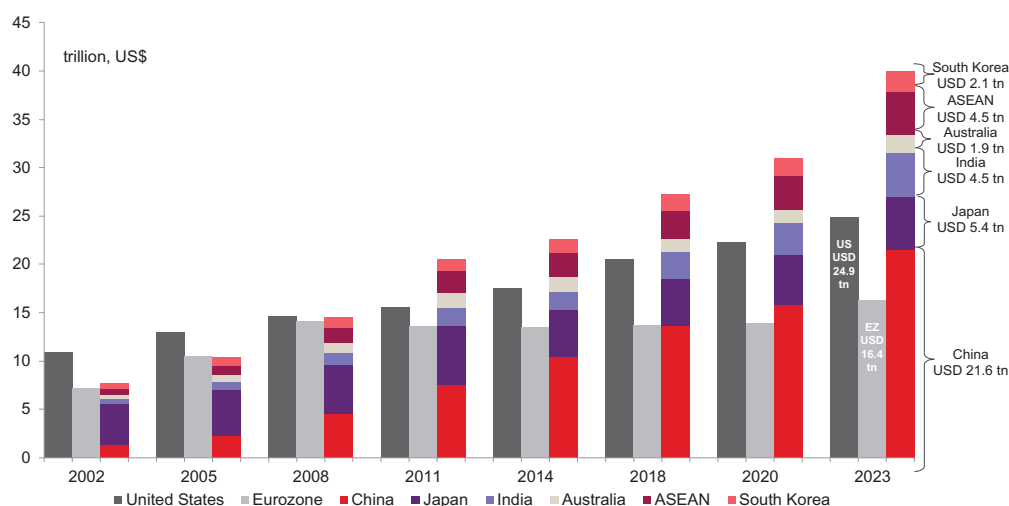
i. Economic Growth

There is a strong correlation between GDP growth and demand for logistics real estate, as the economic climate typically affects real estate decisions. In 2018, APAC had a population over 3.6 billion people (around 50% of global population) and GDP of over US\$ 28.6 trillion (over 33% of global GDP)⁹. GDP per capita is forecast to expand at a 2018-23 CAGR of 3.8%, primarily led by growth in China and India.

Figure 1 below shows the size of major economies around the world between 2002 and 2023. APAC surpassed the US and Europe as the strongest growth region after the 2008 global financial crisis, with 2008-18 CAGR at 4.2% in real terms (compared to 0.7% for Europe and 1.0% for the US). While APAC and European nominal GDP was broadly the same in 2005, APAC will be nearly twice the size by the end of 2018. Similarly, APAC was around the same size as that of the US in 2008; however, it is forecast to grow to around 170% of the size of the US economy by 2023. A positive demographic profile, rising household income, urbanization, and technological changes have all allowed the region to be the fastest growing globally.

Six economies—China, Japan, South Korea, Singapore, Australia, and India—currently account for close to 90% of APAC's GDP in nominal US\$ terms (refer to footnote 1). Also noteworthy is the growth of China's economy (the red column) relative to other Asian economies, accounting for over half of the region's output.

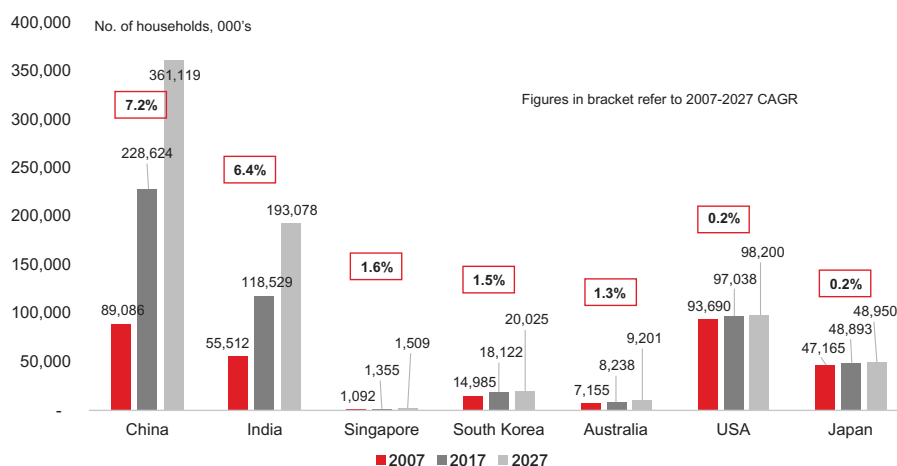
⁹ Unless otherwise stated, all data on this page are from Oxford Economics, August 2019.

Figure 1: Asia Pacific vs. United States and Europe nominal GDP

Source: Oxford Economics, August 2019

ii. Consumption and retail spending

The rise of Asia's middle class¹⁰ is expected to be a dominant economic theme in the upcoming decade and beyond. The combined number of middle class households in China, Japan, South Korea, Singapore, Australia, and India more than doubled between 2007 and 2018, rising from 215 million to 443 million. This is four times the number of US households within the same income bracket. The number of middle class households within these six APAC countries is projected to rise further, increasing to 634 million by 2027 (CAGR of 4.1% from 2018—2027)¹¹.

Figure 2: Number of middle class households by country

Source: Oxford Economics, August 2019.

Note: Middle-class households are defined by JLL as those households with per-capita incomes between US\$13.7 and US\$137 per day in 2015 PPP terms. This implies an annual income for a four-person household of US\$20,000 to US\$200,000. This definition is broadly in line with the Brookings Institution, 2017.

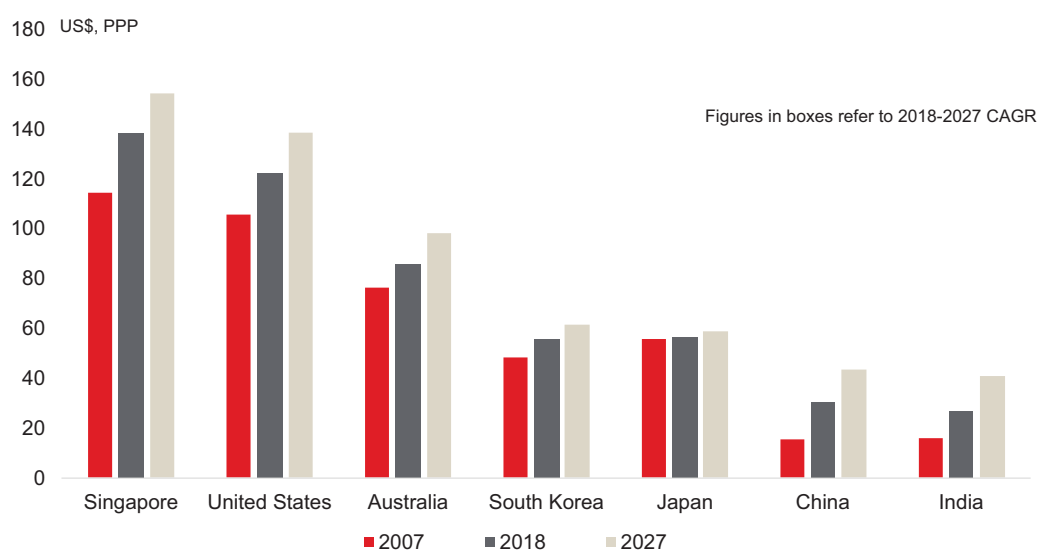
¹⁰ Middle-class households are defined by JLL as those households with per capita incomes between US\$13.7 and US\$137 per day in 2015 PPP terms. This implies an annual income for a four-person household of US\$20,000 to US\$200,000. This definition is broadly in line with the Brookings Institution (The Unprecedented Expansion of the Global Middle Class, An Update, 2017).

¹¹ JLL, Oxford Economics, August 2019.

Growth in number of middle class households and disposable income and consumption levels are key factors driving logistics market growth. Average household personal disposable income almost doubled in China, and has grown by around 50% in India over the past decade (based on constant 2015 prices and purchasing power parity basis)¹². This trend has played a key role in the growth of the logistics facilities sector. For example, over the same period, total logistics facilities in select China Tier 1 cities¹³ increased by over 400%¹⁴.

Average household disposable income levels (on a purchasing power parity basis) are expected to grow by a CAGR of 4.2% in China and by 4.8% in India between 2018 and 2027. As such, average household income in China may be much closer to the levels in Japan and South Korea by 2027. This may result in further growth in logistics real estate given the expected rise in consumption levels.

Figure 3: Average household disposable Income in US\$ (in real terms and on a PPP basis)



Source: Oxford Economics, August 2019.

^Estimated.

Going forward, APAC's substantial middle class population coupled with rapid economic growth and rising income levels are expected to support rising consumption levels in the region. Private consumption in China, Japan, South Korea, Singapore, Australia, and India is forecast to grow at a 2019-2023 CAGR of 8.1%. This is around two times the anticipated 4.0% growth in the US.

Growth in consumer spending, particularly spending on fast moving consumer goods (FMCG), food and beverages, and apparel, is helping support demand for logistics real estate. FMCG products are often low value and are sold in very large volumes. In order to optimize transportation and inventory levels, well located large distribution facilities with high capacity are best suited for distributing these types of goods.

Logistics demands of fashion manufacturers and retailers are also becoming more sophisticated. Logistics companies are now required to undertake services such as order preparation for

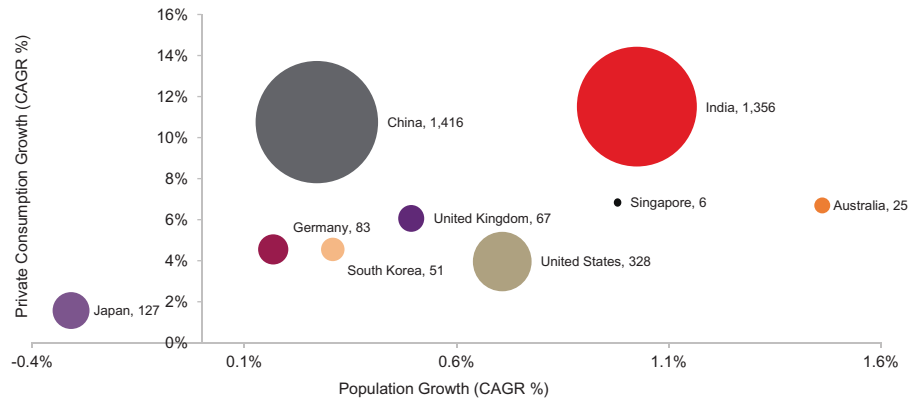
¹² Unless otherwise stated, all data on this page are from Oxford Economics, August 2019.

¹³ Greater Shanghai, Greater Beijing and Greater Guangzhou.

¹⁴ JLL estimates (GFA) based on a combination of information from public sources, company reports, site visits, and industry contacts, 2Q18.

direct distribution, multi-country consolidation, quality control operations, and value-added services such as labelling, tagging, and co-packing.

Figure 4: Nominal private consumption growth (%) vs. population growth (%), 2018 to 2023F



Source: Oxford Economics, August 2019.

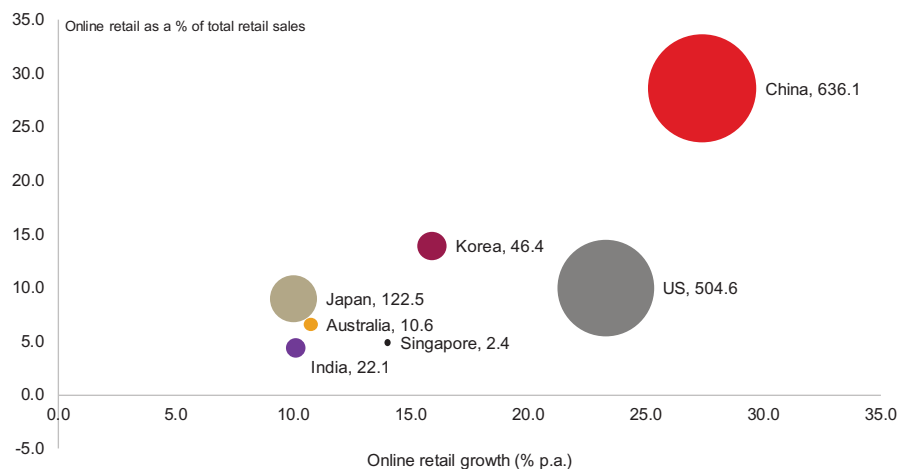
Note: Bubble size indicates total population by 2018; figure (in millions) beside each country.

iii. E-commerce

E-Commerce is a positive tailwind for consumption-driven demand for logistics real estate. With consumers increasingly using the internet and mobile devices to purchase goods, E-commerce sales have grown at a faster pace than sales in traditional brick and mortar stores. Online spending continues to evolve and grow. This is helping to drive growth in overall consumer spending, supported by rising average household income. As shopping habits continue to shift online, further growth is expected.

The rise of e-commerce platforms globally is the result of a number of factors; including economic growth, robust consumption patterns, greater access to the internet, advancements in technology, globalization, advancement in supply chain management, and cost efficiencies.

Figure 5: The global e-commerce market in 2018 (US\$ billion)



Source: Statista, calculations by Transport Intelligence, 2019.

Note: Bubble size indicates on-line retail sales in 2018 (total, US\$ billion), except Australia and Singapore in 2017.

Online retail sales as a proportion of total retail sales (online retail penetration) are steadily increasing in almost all global markets year-on-year. Globally, online retail sales growth in 2018 exceeded 21.54% (as compared to 2017 levels)¹⁵. Even in developed markets such as the US, Japan and South Korea, growth exceeded 10%. Growth in emerging markets in Asia was generally much higher.

Retail e-commerce sales in the six monitored markets in APAC totaled US\$ 840 billion in 2018¹⁶, which is greater than any other region. E-commerce now accounts for 18% of all retail sales in APAC as compared to 10% globally, and this proportion is expected to rise further. E-commerce growth in China is the fastest in the region, with year-on-year growth of about 27% in 2018, followed by growth of about 15% in Korea and Singapore and growth of about 10% in Australia, India and Japan. China is the world's largest e-commerce market, accounting for close to one-fourth of the world's e-commerce sales in 2018. E-commerce in China accounts for nearly 30% of its total retail sales, a much higher share than that of the US (~10% of total retail sales).

Another feature of the APAC e-commerce market is the rise of mobile commerce (m-commerce)—the use of smartphones to make digital purchases. Increasing use of apps among consumers, particularly in China, makes m-commerce convenient and fast for users. Mobile commerce is expected to continue to grow. Higher levels of mobile penetration, increasing affordability of smartphones, robust consumption growth and an increasing willingness among users to consume social media and a range of services and content online, as well as the advent of 5G will all support mobile commerce growth. This may compound the demand for new logistics space in Asia.

In terms of mobile penetration of population, APAC is expected to see the subscriber penetration rate increase from 66% to 72% between 2018 and 2025¹⁷. The mobile penetration rate in China is expected to rise from 82% of its population in 2017 to 85% in 2025, matching the level of the US. The Indian mobile penetration rate is expected to rise from 53% to 63% during the same period (an increase of over 100 million new potential m-commerce consumers)¹⁷.

2.2 The e-commerce logistics market

The growth of e-commerce has had a significant impact on demand for logistics real estate. Typically, e-commerce firms use three times the logistics space of brick-and-mortar retailers¹⁸. This is largely due to a more extensive product range, greater inventory levels, larger outbound shipping space requirements, and increased reverse logistics (process returns).

E-Commerce includes pure-play online retailers, existing brick-and-mortar retailers with omni-channel strategies, and consumer-direct wholesalers and manufacturers. Retailers with e-commerce platforms need flexible and agile supply chains in order to meet rising customers' expectations for delivery speed, quality, cost, and flexibility. Logistics supply chains therefore need to adapt to this shift. E-commerce supply chains extend from regional distribution to last-mile deliveries, generating broad-based demand for logistics real estate at each stage. As e-commerce evolves further, demand may grow for high quality logistics facilities, both at central distribution points and at more regionally oriented last-mile delivery levels.

¹⁵ Unless otherwise stated, all data on this page are from Transport Intelligence, 2019.

¹⁶ e-commerce sales in 2018, except Australia and Singapore in 2017.

¹⁷ "The Mobile Economy 2018" and "The Mobile Economy 2019", GSM Association

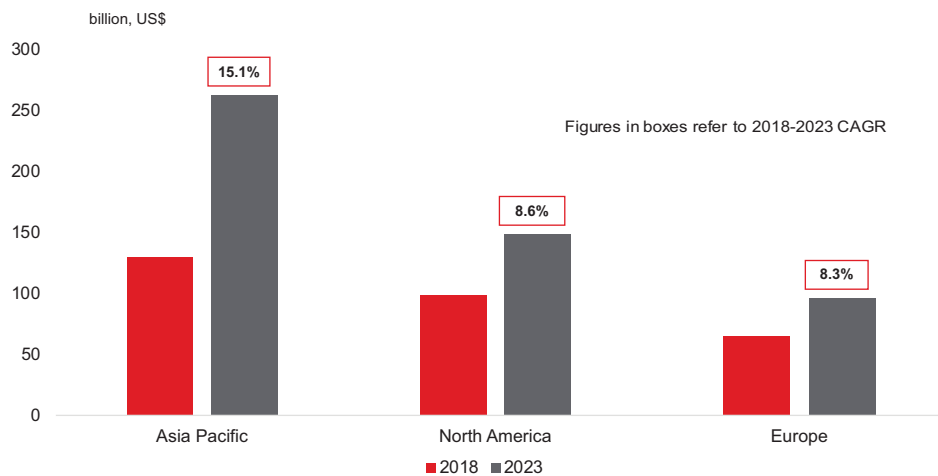
¹⁸ E-Commerce and a New Demand Model for Logistics Real Estate, July 2014 (Prologis Research)

E-commerce logistics can be divided into two broad groups: warehousing & fulfilment activities, and outbound shipping and last-mile activities. Between 2011 and 2017, e-commerce logistics costs ranged between 10% and 27% of sales for select retailers¹⁹.

Revenue of the global e-commerce logistics market is valued at US\$ 279.8 billion in 2018, or 8.1% of the value of online retail sales globally. The growth rate of 18.2% between 2017 and 2018 is far higher than other logistics segments such as freight forwarding and contract logistics. Revenue of the global e-commerce contract logistics market is expected to grow at an expected CAGR of 15% between 2018 and 2023, much higher than an expected CAGR of 6% in total retail contract logistics revenue globally²⁰.

APAC was the leading region in the global e-commerce logistics market in 2018. With total industry revenue of US\$ 120 billion, APAC accounted for 42.9% of the global market in 2018, nearly one-third larger than the North American share of 32.3% and nearly double that of Europe at 21.3%. China constitutes the largest market globally, with its e-commerce logistics revenue of US\$ 90.3 billion surpassing that of the US (US\$ 86.6 billion) in 2018.

Figure 6: Global e-commerce logistics market revenue by region

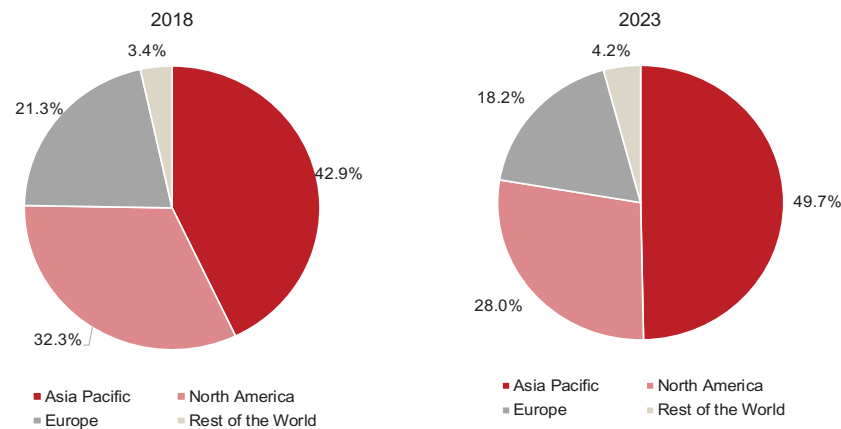


Source: Transport Intelligence, 2019

Revenue of APAC's e-commerce logistics market expanded by 22.9% in 2018. It is expected to grow at a 2018-2023 CAGR of 15.1%. Consequently, by 2023, APAC is expected to account for one-half of global revenue (49.7%). The relative importance of North America and Europe may diminish over time, with these markets representing just 46.1% of the market in 2023 compared to 53.6% in 2018. The growth in APAC is expected to be driven primarily by rising online retail penetration, and rapidly improving infrastructure.

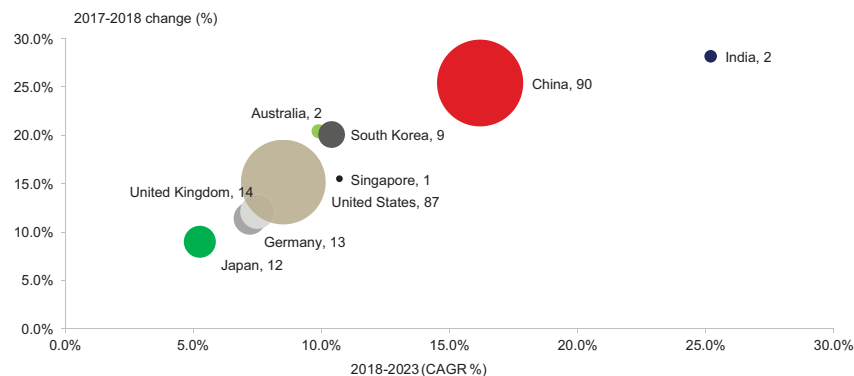
¹⁹ Transport Intelligence based on 2011-2017 data and derived from company reports covering general goods, grocery, fashion & luxury goods retailers across AP, Europe and North America.

²⁰ Unless otherwise stated, all data on this page are from Transport Intelligence, 2019.

Figure 7: Proportion of total e-commerce logistics revenue by region

Source: Transport Intelligence, 2019

China's e-commerce logistics revenue is expected to grow at a 2018-2023 CAGR of 16.2%, significantly outpacing the US market forecast at a CAGR of 8.5%. E-commerce logistics revenue in Japan is expected to grow at a 2018-2023 CAGR of 5.2%²¹. South Korea's e-commerce logistics revenue is expected to grow at a CAGR of 10.4%. Australia and Singapore are expected to outpace the US and grow at a CAGR of 9.9% and 10.7%, respectively. Revenue in the nascent Indian market may grow at a CAGR of 25.2%. Goods and Services Tax reform has had a positive impact on the market, although the effects may be felt more fully in the years ahead.

Figure 8: 2018 total e-commerce logistics revenue & forecast growth (2018-2023 CAGR)

Source: Transport Intelligence, 2019.

Note: Bubble size indicates e-commerce logistics market size in 2018 (total, US\$ billion).

2.3 Third Party Logistics (3PL)

Most operators in the e-commerce logistics sector are 3PL service providers. The rise of the 3PL industry has been underpinned by the emergence of large 'modern retailing' operations across emerging Asia. Additionally, rising income levels, changing consumption patterns, adoption of new technologies, and advancement in supply chain management are also key supporting drivers in the expansion of the 3PL industry.

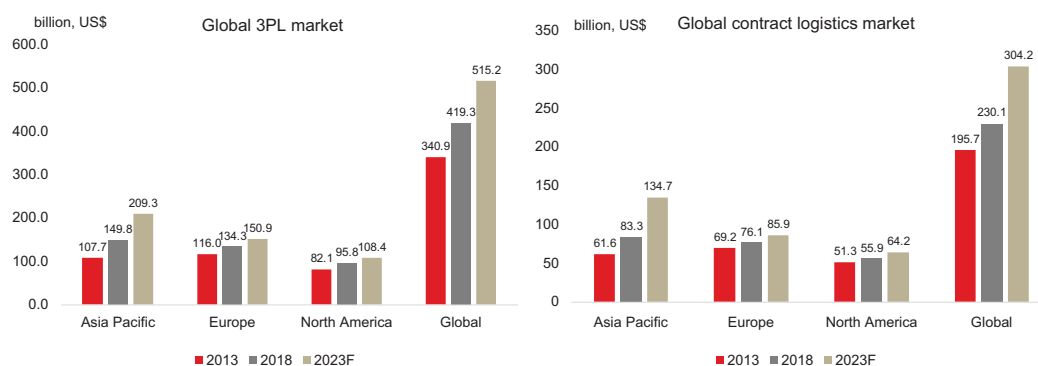
²¹ Unless otherwise stated, all data on this page are from Transport Intelligence, 2019.

Although some consumer goods and e-commerce firms manage their own logistics operations, many others rely on 3PL service providers to handle their distribution needs. Companies outsource transport and logistics operations because it is more expensive for them to operate their own fleet of trucks and their own warehouses. Handing over this responsibility to a dedicated logistics provider allows companies to focus on their core business.

The 3PL market comprises of freight-forwarding and contract logistics. Currently, the level of contract logistics undertaken by logistics providers as a proportion of overall spending in logistics operations remains low in APAC. This is partly because there are relatively limited qualified local logistics providers. As such, there may be room for more modern logistics providers to service the region.

3PL revenue in APAC is projected to grow at a CAGR of around 6.9% between 2018 and 2023, almost triple the growth rate in North America and Europe (2018-2023 CAGR of 2.4% and 2.5% respectively). Globally, contract logistics accounted for about 60% of total 3PL revenue in 2018, while freight forwarding accounted for about 40%²².

Figure 9: Breakdown of global 3PL revenue by region



Source: Transport Intelligence, 2019

Table 2: Global 3PL revenue, historical and forecast growth rates

	Global 3PL market		Of which: Global contract logistics market	
	2013-2018 CAGR	2018-2023 CAGR	2013-2018 CAGR	2018-2023 CAGR
APAC	6.8%	6.9%	7.9%	8.4%
Europe	3.0%	2.4%	2.4%	2.9%
North America	3.2%	2.5%	2.4%	2.1%
Global	4.2%	4.2%	4.3%	4.7%

Source: Transport Intelligence, 2019.

i. Contract logistics market

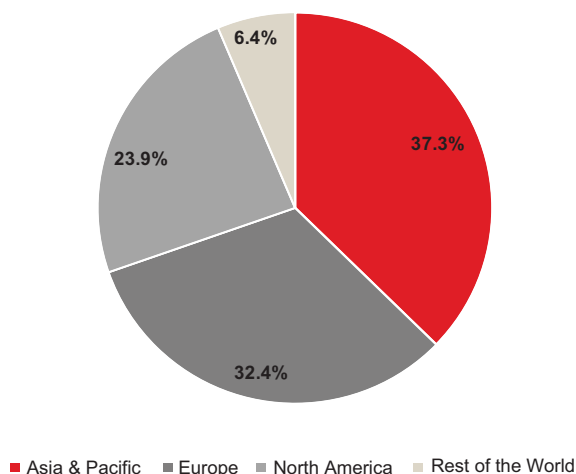
The outsourcing of transport and logistics operations (most commonly warehousing and distribution) by any company to a dedicated 3PL service provider is known as contract logistics. Companies outsource transport and logistics operations because it is typically more economical to hand

²² Unless otherwise stated, all data on this page are from Transport Intelligence, 2019.

over these functions to a dedicated logistics provider. Warehousing accounts for the greatest share of global contract logistics revenue (45-55%). Transportation accounts for 35-45%, while value-added services constitute the remainder.

Globally, the outsourced contract logistics market (by revenue) is valued at US\$ 241.4 billion in 2018. APAC is the largest regional contract logistics market, accounting for over one-third of the global market. In comparison, Europe's market accounts for just under one-third of the global market, while North America's market accounts for just under a quarter.

Figure 10: Global contract logistics revenue by region (2018)



Source: Transport Intelligence, 2019

Revenue of the APAC contract logistics market was valued at US\$90.1 billion in 2018.²³ China is the region's largest market and grew by 12.5% in 2018, accounting for over half of overall regional growth in 2018.

Going forward, global contract logistics industry revenue is forecast to grow at a 2018-2023 CAGR of 4.7%. The potential for growth in APAC is large, and is projected to account for over 40% of the industry's revenue globally by 2023. Regional markets including China and India are expected to grow at double-digit rates over the next five years. China is expected to account for 43.0% of the APAC contract logistics revenue in 2023, up from 37.7% in 2018. The region is expected to account for six of the top ten markets globally in terms of contract logistics revenue growth, with China in first place, followed by India (second place), and with South Korea in seventh place.

3. APAC Logistics Real Estate

3.1 The competitive landscape

i. Transactional market

Investor interest in the APAC logistics sector has been gaining momentum in recent years. New investors to the sector, coupled with the growth of assets under management from existing investors and developers within the region, have created a competitive environment from both an investment and development standpoint. The depth of capital seeking investment into the sector has placed upward pressure on land values and led to yield compression across most markets in the region.

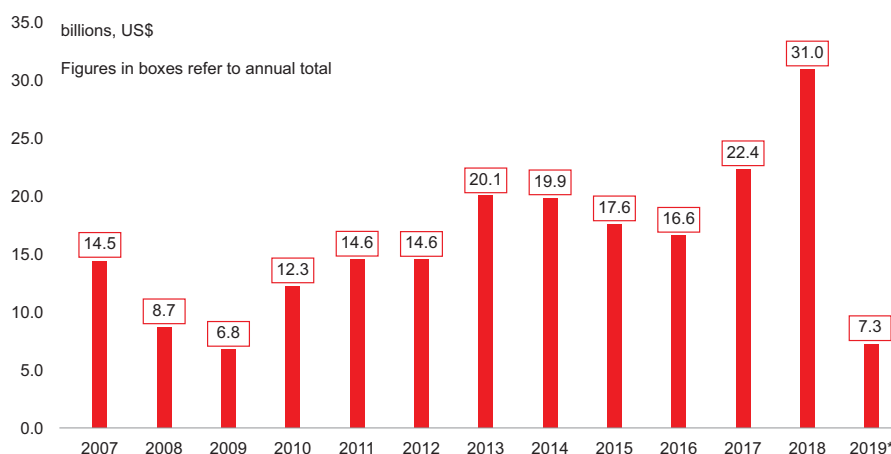
²³ Unless otherwise stated, all data on this page are from Transport Intelligence, 2019

More mature industrial markets like Australia and Japan have traditionally been some of the largest beneficiaries of direct industrial sector investment. However, other markets in the region are now attracting a deeper pool of investors. China, Korea and India, in particular, have recorded a greater influx of capital – both domestic and cross-border.

Investment demand is largely driven by the improving fundamentals of industrial markets and the ongoing positive structural shifts in the sector. In particular, the expansion of e-commerce platforms and rising requirements for 3PL services suggest increasing demand for industrial and logistics space in the region.

Transaction volumes in the APAC industrial sector have been setting new records. Full-year volumes in 2017 grew by 34% compared with 2016. This momentum continued into 2018, reaching an all-time high of around US\$ 31.0 billion²⁴. Volumes have since moderated, with US\$ 7.3 billion transacted in the first half of 2019.

Figure 11: APAC logistics and industrial transaction volumes



Source: Real Capital Analytics, 2Q19.

*1H19

Many institutional investors are also demanding scale and geographic diversification within their industrial exposure. As a result, specialist managers are moving into new markets, often with a view to undertake platform merger and acquisitions (M&A). Major capital investors are also lending their support to specialist managers. Capital sources are increasingly partnering with expertise or specialist managers with complementary skill sets and setting up joint ventures or separate account investments.

Many institutional investors across North America, EMEA and APAC remain meaningfully under-invested to real estate, and their target allocation to the asset class may increase in the near future.

The most preferred investment route into real estate is through private investment vehicles²⁵. Most investors focus on the larger and more mature Australian and Japanese industrial markets.

²⁴ Real Capital Analytics, 2Q19.

²⁵ ANREV Investment Intentions Surveys, 2018.

However, over the past few years, with the rapid influx of capital and new players into the sector, competition for opportunities is forcing investors to look beyond these markets and into the more untapped markets such as India, Southeast Asia and South Korea. Some notable examples include investment vehicles managed by APG Group and CPPIB teaming up with ESR to develop logistics facilities in South Korea in 2015, and joint ventures between LOGOS and CPPIB and Ivanhoe Cambridge to invest in modern logistics real estate in Singapore and Indonesia in 2016. CPPIB also partnered with IndoSpace to develop product in India.

The private real estate funds landscape in APAC for logistics investments can be broadly sectioned into:

- single country vehicles
- pan-regional funds with an allocation to logistics

Given the complexities and regulatory regime governing the logistics sector in most markets, most single country logistics funds are established by domestic managers or pure-play operators who have extensive experience and footprint in the targeted market. Over the last 12 to 18 months, there has been increasing activity from several of these specialized players venturing into new markets or expanding into existing ones. Globally, industrial funds raised US\$ 54.7 billion in capital between 2012 and 2017. APAC accounted for most of this (US\$ 20.8 billion)—ahead of North America (US\$ 18.7 billion) and Europe (US\$ 9.9 billion)²⁶. The significant amount of capital raised and the establishment of follow-on vehicles indicate the sector's growing appeal and the widening sources of global and regional capital.

APAC open-end core funds are often the gateway vehicle for offshore investors to enter the region as new entrants that seek low-risk investments. In the context of logistics, the strategy employed would typically involve acquiring modern institutional-grade industrial facilities in prime locations. A strategy further up the risk spectrum would see fund managers 1) tapping into assets in secondary locations, 2) seeking assets that require value-add works, and 3) engaging in development projects such as build-to-core or build-to-suit.

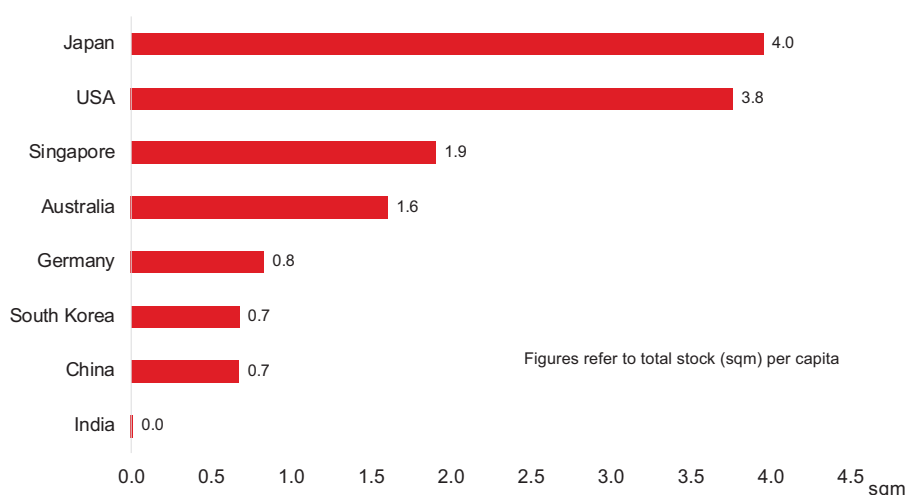
ii. Logistics facilities overview

The APAC logistics real estate market continues to develop. Differences in the scale and maturity between markets can be wide. Some markets, such as in Australia and Japan, are relatively mature, while others are in their early growth phase of development.

The APAC region still has significant growth potential. Developed markets such as the US and Japan have an average per capita stock of up to four sq.m. In contrast, Australia and Singapore have per capita stock of just one to two sq.m on average. Per capita stock in South Korea, China and India are even lower at less than one sq.m. Logistics real estate space per capita is lower across APAC, with per capita stock in China, Japan, South Korea, Singapore, Australia, and India measuring just 0.5 sqm in aggregate, almost one-seventh of the per capita space in the US²⁷. As the APAC market matures, the level of logistics space required to serve the population is likely to rise, leading to greater requirements for logistics space.

²⁶ PERE Research, 2018

²⁷ Unless otherwise stated, all data on this page are JLL estimates based on a combination of information from public sources, company reports, site visits, and industry contacts, Oxford Economics, April 2019.

Figure 12: Estimated total logistics real estate space per capita (sq.m), 2Q19

Source: JLL estimates based on a combination of information from public sources, company reports, site visits, and industry contacts, Oxford Economics, 2Q19 (except China, India, Japan & South Korea as at 4Q18).

Note: Based on total logistics stock. An accurate breakdown of modern and non-modern stock is not available in each market. Includes existing warehouse & distribution buildings of all grades; owner- and tenant-occupied, and available for lease and/or sale. Different countries use different methodologies and definitions to capture total stock. As such total stock and stock per capita between countries may not be directly comparable.

Modern logistics real estate space is characterized by, among other things, large floor plates, high ceilings, wide column spacing, modern loading docks, as well as enhanced safety systems and other value-added features. Modern logistics space in APAC as a proportion of total logistics space is relatively low compared to the US. This may provide scope for greater development, particularly against the backdrop of increasing demand from the 3PL industry and e-commerce platforms.

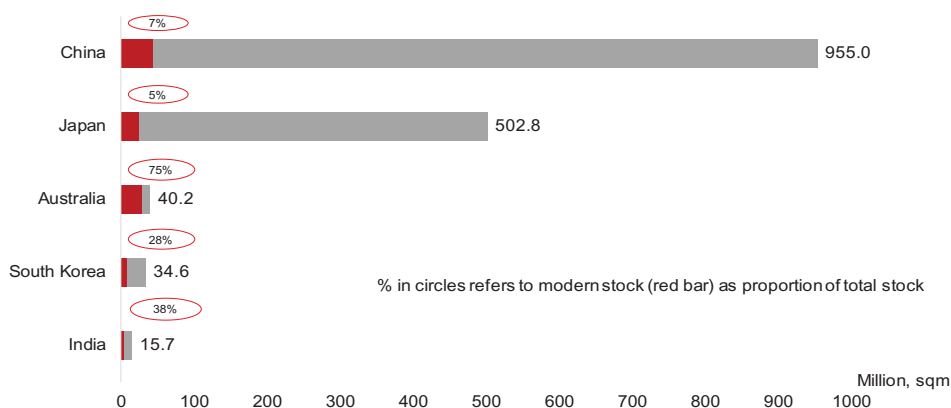
China and Japan have significantly low proportion of modern warehouse facilities as the majority of warehouse space in both countries is owner-occupied. It is estimated that only 5% of total logistics facilities in China and Japan consists of modern facilities for lease. One-third of the logistics facilities in India can be considered modern, but the overall logistics market²⁸ with space of 15.8 million sq.m is much smaller than markets in East Asia. The majority of the monitored market in Australia is considered modern²⁹.

Supply chain modernization is adding to the global demand for new logistics facilities. Tenants are upgrading from outdated, often small and owner-occupied facilities to newer facilities in premium locations. Simultaneously, consolidation of logistics operations into more modern facilities is improving efficiency and reducing the overall logistics costs of tenants.

²⁸ This is based on the proportion of Grade A stock relative to total Grade A and Grade B stock within JLL's coverage area. However, there is a significant amount of stock that is classified as Grade C. Due to the fragmented nature and low transparency of the market in India, particularly in the Grade C market, it is difficult to correctly assess the level of Grade C stock. As a result, the percentage of modern facilities (Grade A) relative to total stock (Grade A, B and C) will be lower.

²⁹ Different countries use different methodologies and definitions to capture total stock, modern stock, and non-modern stock. As such total stock, modern stock, and non-modern stock between countries may not be directly comparable. The classification of modern and non-modern warehousing can be found in section 3.2.

Figure 13: Estimated modern logistics real estate space as a proportion of total logistics real estate space, 2Q19



Source: JLL estimates based on a combination of information from public sources, company reports, site visits, and industry contacts, 2Q19.

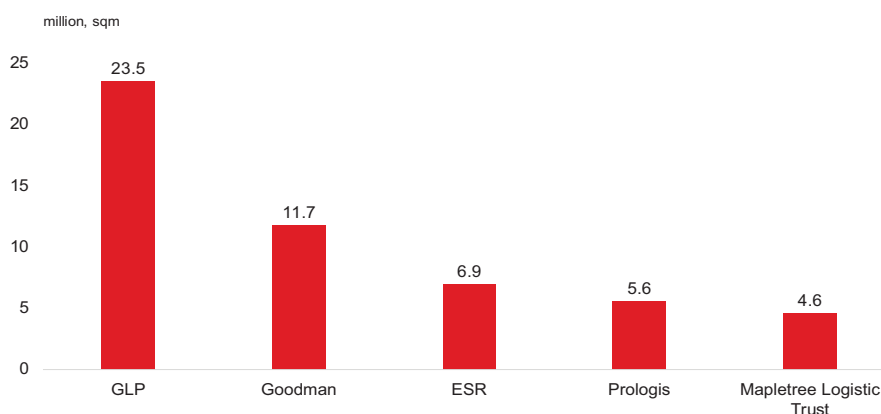
Note: Total logistics includes existing warehouse & distribution buildings of all grades; owner- and tenant-occupied, and those available for lease and/or sale. Logistics facilities in Australia generally refers to modern space. Different countries use different methodologies and definitions to capture total stock, and modern and non-modern stock. As such total stock, modern and non-modern stock between countries may not be directly comparable.

* India, Japan & South Korea as at 4Q18. Also see footnote 29.

The APAC logistics sector is expected to continue to grow, with more high specification modern logistics facilities expected to be built over the next few years. Logistics floor space is growing rapidly in China and Japan. The Indian logistics real estate market is also growing rapidly, supported by the growth of the e-commerce sector, the implementation of the Goods and Services Tax, and various government initiatives.

The APAC logistics real estate market attracts both global and regional players. Global players such as GLP and Goodman, which have worldwide operations, are estimated to have the largest logistics holdings (by value) in APAC. Of APAC only owners and developers, ESR has the largest APAC logistics real estate platform (owned and managed in APAC by gross floor area and by value)—see Figure 14 and 15 for additional details³⁰.

Figure 14: Logistics stock owned and managed in APAC (by gross floor area)



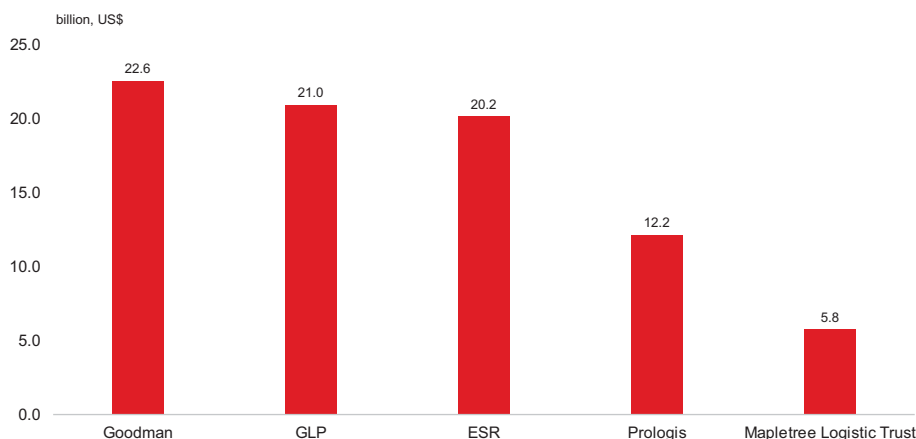
Source: JLL estimates based on companies' financial reports, ESR data

Note: 1) Figures for ESR, Prologis and Mapletree as at 2Q19, Goodman as at 1Q19 and GLP as at 3Q17; 2) based on estimated total stock owned and managed across APAC (and not necessarily confined to the specific cities that JLL tracks and is used for the country specific data

³⁰ See notes for Figure 14.

shown elsewhere in this report), 3) These are JLL estimates, and as such, the data may not necessarily match with internal data maintained by the companies mentioned in the chart.

Figure 15: Logistics stock owned and managed in APAC (by value)

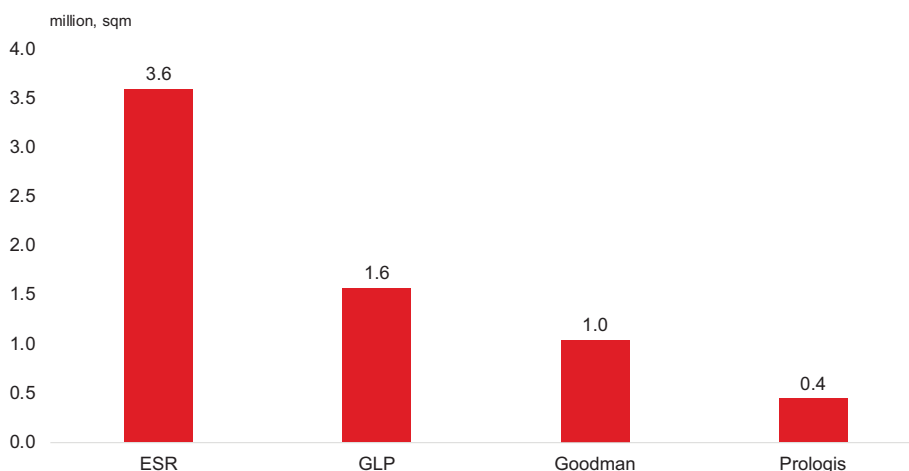


Source: JLL estimates based on companies' financial reports.

Note: 1) Figures are as at 2Q19, except GLP which is as at 3Q17, 2) These are JLL estimates, and as such, the data may not necessarily match with internal data maintained by the companies mentioned in the chart.

Further growth in the sector is expected. A number of large owners and developers in APAC have relatively large development pipelines. Across China, Japan, South Korea, Singapore, Australia, and India, ESR has the largest development pipeline in aggregate by gross floor area, followed by GLP and Goodman from 2019 to 2020 (see Figure 16)³¹.

Figure 16: Development pipeline in aggregate across major APAC markets, planned or under development, 3Q19 – 2020[^] ('000 sq.m)



Source: ESR data based on company data as at 2Q19; other companies' data are JLL estimates based on a combination of public sources, company reports, site visits, industry contacts, 2Q19.

[^] Data for Korea is for the period between 3Q18-2020.

Note: 1) Based on JLL coverage areas in Greater Shanghai, Greater Beijing, Greater Guangzhou, Tokyo, Osaka, Seoul, Delhi, Mumbai and Australia (Sydney, Melbourne, Brisbane, Adelaide and Perth), 2) Pipeline for ESR includes eight projects which were not tracked in JLL's supply pipeline but provided by ESR, 3) Includes projects that are proposed, with plans submitted, with plans approved, and projects under construction that are tracked by JLL 4) The area (GFA), current status, and timing of these projects are JLL estimates. As such, these estimates may not necessarily match with internal data maintained by the companies mentioned in the chart.

³¹ See chart note under Figure 16.

iii. Case studies

Goodman (Australia)

Goodman is a global real estate group that owns, develops and manages industrial real estate, including logistics facilities, warehouses and business parks, across 17 countries³². Goodman's largest market is its home country of Australia. It is Australia's largest REIT, with a market cap of around US\$18.4 billion (AU\$ 27.1 billion, as at August 21, 2019)³³. Goodman's Australian and New Zealand portfolio (under management) spans 170 properties. The majority of assets are located across Sydney, Melbourne, and Brisbane, with the company employing around 300 people nationally. Total assets under management globally rose to US\$ 31.3 billion (AU\$ 44.1 billion) at the end of March 2019, from US\$ 21.5 billion (AUD 23.4 billion) at the end of June 2013—an increase of 45.6% over the period³⁴.

Table 3: Goodman AUM

<u>FYE June 30,</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019*</u>
AUM (AU\$ bn)	16.2	18.0	20.0	23.4	26.8	30.3	34.1	34.6	38.3	46.2
% change (YoY)		11%	11%	17%	15%	13%	13%	1%	11%	21%

Source: Goodman FY presentations, AGM Chairman's address, 2010-2019

* As at June 30, 2019

Goodman has been one of the best performing REITs on the Australian stock exchange over the past five years. Many of the largest A-REITs are diversified across multiple sectors, with Goodman the dominant logistics owner and developer in Australia. With its Australia home market dominance, Goodman has been able to capitalize on the structural and cyclical changes in the logistics sector, while leveraging strong macro-economic fundamentals.

Figure 17: Indexed share price of Goodman against the S&P/ASX 200 A-REIT Index



Source: ASX, Yahoo Finance, JLL

A key supportive driver of the logistics market has been the rise of e-commerce in Australia. Between 2011 and February 2019, e-commerce spending rose by 175%, well ahead of spending growth

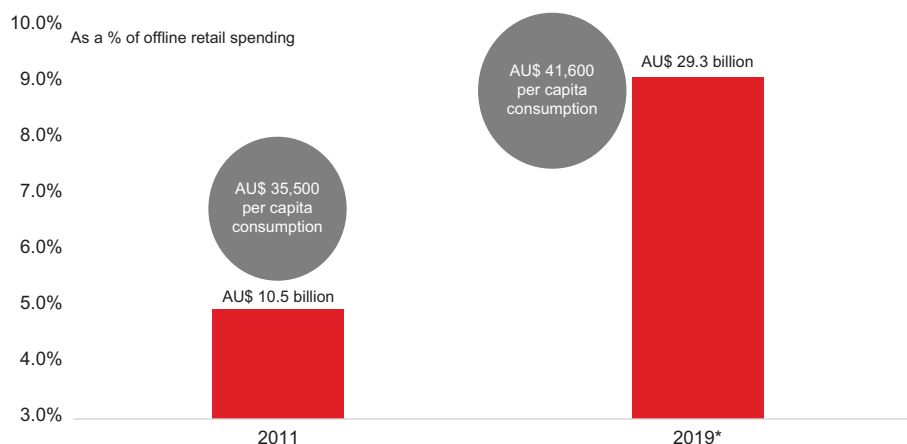
³² Unless otherwise stated, data related to Goodman are from Goodman's financial reports, presentations, and website, 2018

³³ Yahoo Finance, August 2019

³⁴ Goodman FY presentation, AGM Chairman's address, 2013 and 2018

in traditional retail³⁵. In the 12 months to February 2019, e-commerce spending was equivalent to 9.0% of traditional retail, up from 4.9% in 2011.

Figure 18: Total Australian e-commerce spending (and as a % of offline retail spending) and consumption per capita



Source: National Australia Bank Online Retail Sales Index, 2011 and 2019, Oxford Economics, April 2019

*12 months to June 2019

Prologis (USA)

Prologis is a global logistics real estate group that owns, manages and develops logistics facilities in 19 countries. Prologis is a listed company and one of the world's largest REITs, with a market capitalization of around US\$52.0 billion (as at August 21, 2019)³⁶. As of December 31, 2018, the company owned or had investments in properties and development projects totaling 768 million sq. ft. in 19 countries spanning four continents³⁷. The portfolio is concentrated in large population centers including nearly 50% of the US portfolio located near major coastal markets. The US is the company's largest market, accounting for more than 50% of its operating portfolio.

Table 4: Prologis AUM

FYE 31 Dec	2010	2011	2012	2013	2014	2015	2016	2017	2018
AUM (US\$ bn)	46.0	43.3	45.0	46.9	52.8	59.5	66.0	79.0	87.0
o/w US	28.0	24.1	26.8	29.1	33.0	37.5	40.9	45.8	53.9
o/w Non-US	18.0	19.2	18.2	17.8	19.8	21.9	25.1	33.2	33.1
Total AUM % change (YoY)		-6%	4%	4%	13%	13%	11%	20%	10%

Source: Prologis & AMB Merger of Equals Presentation (31 Jan 2011), Prologis supplementary report (2011-2018)

³⁵ National Australia Bank Online Retail Sales Index, February 2019

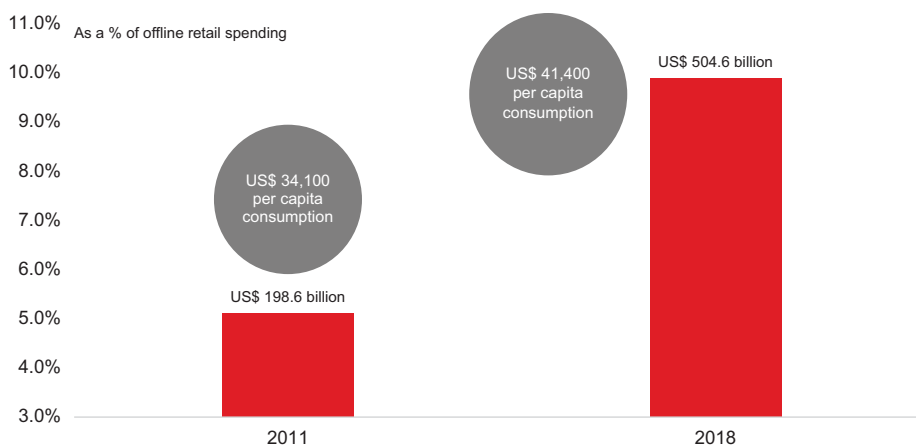
³⁶ Yahoo Finance, August 2019

³⁷ Unless otherwise stated, data related to Prologis are from Prologis' financial reports, presentations, and website, 2018

Figure 19: Indexed share price of Prologis against MSCI US REIT Index

Source: Yahoo Finance, JLL

A key macro tailwind for the sector in the US has been strong consumption growth, with consumption per capita increasing from US\$ 34,100 to US\$ 41,400 between 2011 and 2018, a rise of 21.4%³⁸. Driven by the strong e-commerce growth, new facilities are being tailored to the high-tech, high-efficiency needs of a tenant's evolving supply chain and distribution strategies. These properties, which comprise of large warehouses and distribution centers, count companies such as FedEx and Amazon as some of the largest users of this type of space. The rise of online shopping and appetite of consumers for rapid delivery have seen industries and companies opt for consolidation of operations. This has typically been done to improve supply chain efficiencies and to shift operations closer to large population centers.

Figure 20: Total US e-commerce sales (and as a % of total retail sales) and consumption per capita[^]

Source: Statista, Oxford Economics, April 2019.

[^]Per capita consumption refers to total retail sales, as at April 2019

3.2 Logistics real estate fundamentals

i. Specifications of modern logistics facilities

The classification of what constitutes modern and non-modern logistics facilities differs across markets. Specific market factors would typically dictate what type of facility is constructed. For

³⁸ Oxford Economics, October 2018

example, availability of land, land prices, construction costs, demographics (such as population densities), and occupier requirements would all influence the size, shape and scale of warehouse facilities.

It typically takes around 12 to 24 months from land acquisition to stabilized occupancy/completion of modern logistics facilities, while development cycles for other types of large-scale commercial real estate (such as office buildings and shopping malls) can take up to or more than 36 months³⁹.

In general, modern logistic facilities would include the following specifications:

1. Optimal space utilization: Large floor plates, high ceilings and wide column spacing;
2. High operating efficiency: Spacious loading and parking areas equipped with modern loading docks;
3. Storage safety: Security and surveillance features, proper ventilation and basic fire-fighting features such as sprinkler systems;
4. Flexibility and ability to customize: Office space, air-conditioning and refrigeration/freezing; and
5. High load capabilities: Heavy floor loads of over 2 tonnes per sq.m in order to handle the weight of the goods stored in racking.

The following tables provide high-level guidelines as to the different classification criteria for modern and non-modern warehouses in China, Japan and South Korea. This is a guide only and facilities do not necessarily have to meet all the criteria to be classified as modern or non-modern.

Table 5: China Modern warehouse vs non-modern warehouse

	Non-modern warehouse	Modern warehouse
Size	< 8,000 sq.m	≥ 8,000 sq.m
Clear Height	1st floor: ≥6 meters, other floors: ≥4.5 meters	At least 9-12 meters or higher as a single-story building Multi-story: 1st and 2nd floor ≥ 9 meters, 3rd floor ≥ 7 meters
Floor Load	1st floor: ≥ 2 ton per sq.m, other floors: ≥ 0.6 ton per sq.m	1st and 2nd floors: ≥ 3 tonnes per sq.m
Type of Structure	Masonry-concrete, masonry-timber and reinforced concrete structure are often used	Single story: High-quality concrete, steel structure Multi-story: Concrete, steel structure with ramp, elevator
Docking	No or limited docks available	Multiple loading docks available with hydraulic dock-levelers

³⁹ Unless otherwise stated, all data on this page are JLL estimates, 2Q19.

	Non-modern warehouse	Modern warehouse
Fire Fighting	None	Sprinklers, fire hydrants with required dangerous goods & water storage system
Sky Lighting	N/A	3% of roof area
Air Circulation	N/A	Control of the inner air quality

Source: JLL.

Note: This is a general guide only. Facilities do not have to meet each criteria in order to be classified as modern or non-modern.

Table 6: Japan: Modern warehouse vs non-modern warehouse

	Non-modern warehouse	Modern warehouse
Size	< 10,000 sq.m	≥ 10,000 sq.m
Clear Height	5-6 meters or lower	Approximately 5-6 meters or higher as a single-story building
Floor Load	< 1.5 tonnes Some landlords do not calculate floor-loading data.	≥ 1.5 tonnes per sq.m
Type of Structure	Steel structures are often used	Reinforced concrete or steel reinforced concrete structures are preferred with ramp way to connect each floors
Docking	No or limited docks available	Multiple loading docks available with dock leveler
Fire Fighting	Sprinklers, fire hydrants	Sprinklers, fire hydrants
Sky Lighting	N/A	N/A
Air Circulation	Not installed, usually tenants install the system by themselves	Depends on what kind of tenants the facility wants to attract, as some do not install air circulation systems

Source: JLL.

Note: This is a general guide only. Facilities do not have to meet each criteria in order to be classified as modern or non-modern.

Table 7: South Korea: Modern warehouse vs non-modern warehouse

	Non-modern warehouse	Modern warehouse
Size	< 10,000 Pyeong (33,000 sq.m); Facilities between 5,000 Pyeong to 10,000 Pyeong (16,500 sq.m to 33,000 sq.m) are generally classified as Grade B.	≥ 10,000 Pyeong (33,000 sq.m); built after 2010, located within 5KM of highway interchanges, accessible to all floors by ramp
Clear Height	Approximately 5-6 meters	At least 9-12 meters or higher as a single-story building

	Non-modern warehouse	Modern warehouse
Floor Load	Landlords do not calculate floor-loading data. This can result in floor depression if goods are stored beyond the loading limit.	At least 3 tonnes per sq.m
Type of Structure	Steel structure, sandwich panel	PC structure
Docking	No or limited docks available	Multiple loading docks available with hydraulic devices
Fire Fighting	None	N/A
Sky Lighting	N/A	N/A
Air Circulation	N/A	N/A

Source: JLL.

Note: This is a general guide only. Facilities do not have to meet each criteria in order to be classified as modern or non-modern.

ii. Online retail vs traditional retail

In some respects, online retailers and traditional retailers have similar requirements for warehouses. For example, in terms of location, both online and offline retailers look for warehouses that are in locations that serve a network of inner city distribution points—bricks-and-mortar stores in the case of traditional retailers, and last-mile distribution centers in the case of online retailers.

Nonetheless, fulfilling online retail orders requires fundamentally different operational capabilities. Online retail requires fulfilment centers, including the picking, packaging and dispatching of individual items for distribution to individual consumers. Driven by the need for both operational and cost-efficiency, the demand for logistics real estate that online retail is creating has several traits:

- **Proximity to end-users/consumers**—A key success factor for online retailers is how quickly products reach the buyer. Logistics facilities located in or near major urban areas would typically be in relatively high demand.
- **Large contiguous space**—Rapid volume growth is not uncommon for both new and established retailers. Additional space, either in the form of modifying the use of space within the existing building, or in terms of the ability to expand into adjacent plots, can be highly attractive options for retailers. The largest e-commerce players in China such as Alibaba (through its Cainiao platform) and JD.com in recent years have driven a large amount of e-commerce warehouse leasing. The scale of these firms and the range of products they move around would typically exceed that of traditional retailers, and give them uniquely large distribution networks that often lead to very large space requirements.
- **Ceiling height**—The individual picking of items ordered online is a labor-intensive operation. A consequence is that items must be easily reachable if the operation is to remain efficient, usually around a maximum of 6 feet. While it is feasible in some locations to build low-rise facilities, the most common practice has been to adapt existing facilities with high eaves by introducing mezzanine floors or automated picking capabilities.
- **Efficient space**—Online retailers typically need to react faster to orders; this requires more efficient space configuration to operate various functions (i.e. packaging, material

handling, and truck loading). Thus, the capacity of the building to offer the flexibility to house the optimal fulfilment operation is a key requirement. The higher volumes of inventory and associated increase in inbound and outbound flows also create a need for increased truck court and trailer parking space.

- **Technology**—The shortage of labor in many markets and high labor costs are creating demand for automated warehouses, labor-saving equipment and advanced logistics facilities that respond to efficient warehousing and delivery. To date, there have been only limited examples of e-commerce firms in Asia utilizing automation technology. However, the adoption of this technology is expected to grow.
- **Floor load**—Landlords typically do not calculate floor-loading data in non-modern facilities. This can result in floor depression if goods are stored beyond the loading limit. Modern facilities in Japan have floor load of at least 1.5 tonnes per sq.m and those in China and Korea have floor load of at least 3 tonnes per sq.m in order to withstand the weight of the goods stored in racking with the higher ceiling heights⁴⁰.
- **Other areas of efficiency (truck yards/cross docking)**—Non-modern warehouses generally have no or limited docks available, while modern facilities have multiple loading docks available (sometimes with dock levelers).
- **Office space**—Modern logistics facilities may include accompanying office space in order to provide a wider range of options for occupiers.
- **Amenities**—The latest logistics facilities may include social amenities such as child day-care centers and employee relaxation and recreation facilities.

iii. Location of logistics facilities

Location is typically the most important factor when it comes to measuring the efficiency of a warehouse in the supply chain. However, there is more than one type of ideal location, depending on its specific function in the supply chain. For small packages, location next to a parcel's hub or airport will be important. For higher volume and lower value goods, location at a road interchange or proximity to a seaport may be more important. And in sectors where suppliers have to offer their customers a very high level of service (such as in the after-sales market), achieving deliveries in short time windows will play a critical factor in the structuring of a distribution network.

- **Location close to population centers with a large middle class**—Ideal warehouse locations in Asia do share a few common themes—most position themselves to serve large consumer populations, whether in the form of delivery to homes or stores. This makes it important to be located close to population centers with a large middle class. While there is industrial demand from manufacturers less sensitive to being located near consumers, this is a small share of the total. Most demand for space is generally for locations that are relatively closer to the consumer base.
- **Geographic centrality**—In other cases, tenants are willing to accept greater distance from one city center if they can be within a similar distance from other cities; that is, they prioritize locations suitable for multi-city (or regional) distribution. For example, satellite cities are a strong location type in China. Typically located just over the border from the country's largest cities, these markets are attractive to “spill over” tenants who wish to serve consumer markets in the larger cities.

⁴⁰ JLL estimates, 2Q19.

- **Rental, land, and build costs**—The costs of renting, buying and building distribution warehousing varies considerably. For example, lower rents and greater availability of projects can also be strong advantages for satellite markets in China as compared with locations closer to a large city's densely populated core area.
- **Building specification**—The specification aspect has an important effect on rents. Typically, rents will be relatively higher for spaces that can fulfil very large space requirements of e-commerce logistics service providers, and space that provides efficient configuration and flexibility to house optimal fulfilment operations.
- **Other factors**—Other factors involved in the decision-making for location of distribution centers may include access to an affordable labor pool, and the availability and quality of logistics service providers.

iv. Logistics project costs

Construction costs are typically higher for multi-story buildings than single-story buildings. Moreover, construction costs in major markets are higher because of higher labor costs. For example, construction costs in Beijing and Shanghai are higher than costs in other Tier 1 and 1.5 cities in China.

However, development margins for the various markets are not available on a consistent basis. They vary across companies and depend on many critical factors at the local level like land prices (which varies by location) and number of stories (given its impact on total rental income and revenues). On the other hand, there would likely be a higher variation in rents rather than building efficiency, since most modern logistics real estate have relatively high efficiency to begin with.

Table 8: Estimated construction cost of logistics real estate

Country/city	Estimated costs per sq.m
China—Greater Beijing & Greater Shanghai	RMB 2,250-2,750 (US\$ 321-393) for single-story, RMB 3,000-3,500 (US\$ 429-500) for multi-story
China—Greater Guangzhou & Wuhan	RMB 1,800-2,300 (US\$ 257-329) for single-story, RMB 2,500-3,000 (US\$ 357-429) for multi-story
Japan overall	Reinforced concrete structure warehouse: JPY 125,000-135,000 (US\$ 1,180-1,270) per sqm
South Korea—Greater Seoul area	KRW 650,000 to KRW 800,000 (US\$ 535-659) per sq.m

Source: JLL estimates, 2Q19.

Note: Exchange rates as at end-Aug 2019.

3.3 Valuation of logistics real estate

i. Factors driving valuation

The key factors that may determine logistics real estate pricing and cap rates in China, Japan and South Korea are also generally applicable to Singapore, Australia and India. Some of the key factors include:

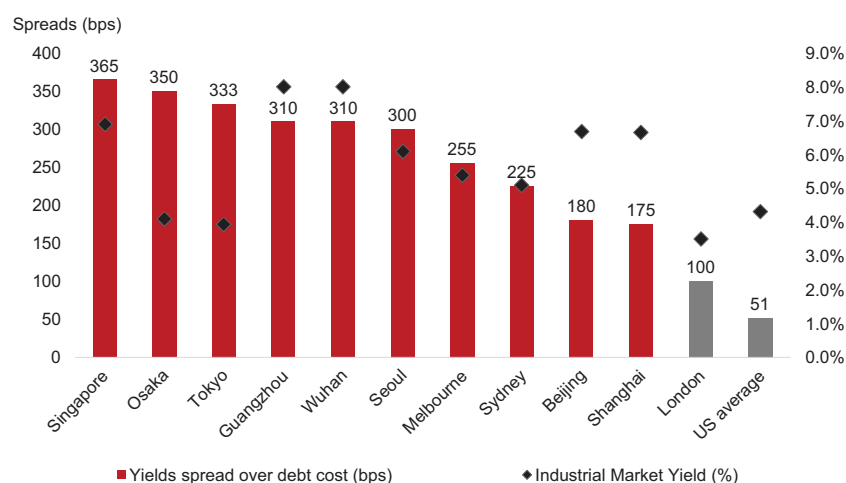
- **Location:** Location is a key determinant in the Tier 1 and Tier 1.5 cities⁴¹. Ideal locations are typically those near expressway networks and located optimally to serve city and

⁴¹ JLL defines China's Tier 1.5 cities as top second tier cities that have separated themselves from other Tier 2 cities to sit just below the level of Tier 1 cities, based on an analysis of a range of economic, business and property indicators. Examples are Tianjin and Wuhan.

regional distribution networks. In China, multiple developers have built warehouses clustered along the G2 Expressway that connects Beijing with Shanghai. Areas outside Shanghai's city limits and in the neighboring city of Kunshan have also proved ideal locations along this stretch of highway for many developers. This demonstrates that some developers have a greater preference for locations that are near key transport infrastructure rather than locations within the city limits of the largest nearby consumer market.

- **Infrastructure:** Quality of infrastructure and connectivity is another key factor impacting valuation. For example, tenant creditability and improving inland infrastructure (i.e. major highways) are having a positive effect on the Greater Tokyo inland logistics markets.
- **Specification/building age:** The specification aspect typically has a greater impact on rents than cap rates. Age of assets may affect valuations, as older properties may have been built to slightly lower specifications in the first place, and generally would have also suffered some wear and tear over time. However, age only impacts rents and yields up to a point. For example, many tenants in China generally opt for older assets in good locations rather than newer assets in poorer locations. From an investment perspective, old assets in strong locations may also present opportunities for redevelopment. Similarly, building age is not a big factor in determining yields for investors in Japan. Japan's real estate prices are reflective of land value – some investors are willing to buy older and inferior spec assets with aggressive yields, as long as the location meets their requirements.
- **Availability to acquire assets:** Asset availability is an important consideration for investors as the relative lack of liquidity limits investment activity and creates greater competitive tension. This may lead to investors expanding their investment criteria. For example, Tier 1.5 city assets may be a suitable market for investors that are unable to secure assets in tier 1 cities.

Figure 21: Logistics gross rental yield spreads over costs of debt, 2Q19



Source: JLL, 2Q19.

Note: 1) Debt costs are based on investment grade borrowers, core stabilized assets fixed pricing on typical market maturities.
 2) In the calculation of the market yield, the transaction costs of purchasing or leasing of space is not included. The market yield therefore reflects the returns to investment before transaction costs, assuming full occupancy and that the current income being paid is the market effective rent.

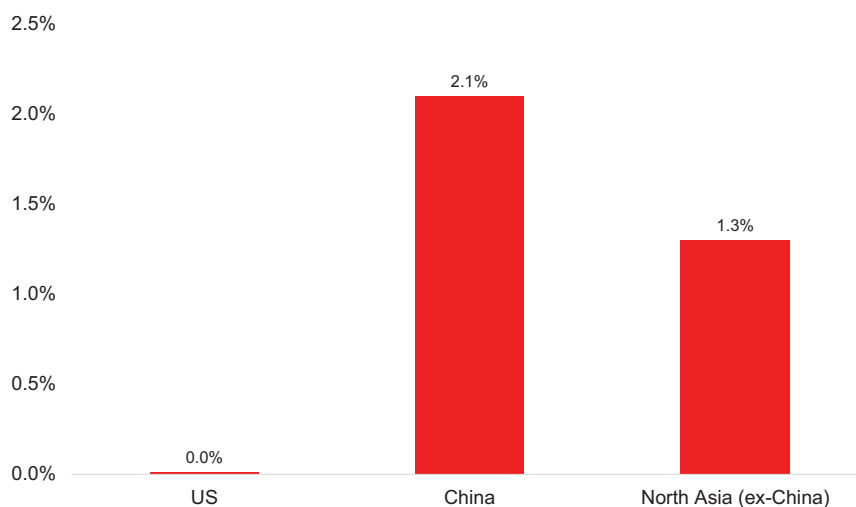
As illustrated above, logistics facilities at key hubs in APAC generally offer more attractive valuation premiums in terms of spreads, compared to those for more mature markets in the US and UK.

ii. Logistics vs office

The spread between office and logistics cap rates in primary markets in the US, such as Chicago and Los Angeles, has narrowed from about 1.1% to nearly zero during the past decade. Logistics real estate cap rates (5.6% at end-2007 versus about 4.3% at 2Q19) have narrowed more than office cap rates (4.8% at end-2007 versus 4.3% at 2Q19)⁴².

Nonetheless, spreads between prime logistics and prime office gross rental yields in APAC on average remain much wider than in the US and in Europe. One reason for the wider spread is that the logistics real estate market in APAC is less mature than the US. The spread between prime logistics and prime office gross rental yields in North Asia remained at 1.3% in 2Q19⁴³. In China, spreads in the Tier 1 cities stood at 2.1% as at 2Q19. The wider spreads in China and North Asia offer further room for yield compression in the logistics real estate sector.

Figure 22: Spreads between logistics & office cap rates



Source: NCREIF, JLL, 2Q19.

Note: U.S. primary office markets (Seattle, San Francisco, Los Angeles, Boston, New York, Chicago, Washington D.C., Silicon Valley-San Jose); U.S. primary industrial markets (Atlanta, Chicago, Dallas, Inland Empire, Los Angeles, Northern NJ, Oakland-East Bay, Philadelphia and Eastern PA). China: simple average of Beijing, Shanghai & Guangzhou; North Asia: simple average of Tokyo, Osaka & Seoul.

Also noteworthy is that logistics real estate is generally a more stable asset class than the office sector. Volatility (as measured by the standard deviation of annual changes in capital values) of logistics assets in Shanghai was 9% as compared with 14% for modern office assets over the past 10 years. Similarly, the volatility of logistics assets in Tokyo was 10% as compared with 16% for modern office assets over the same period⁴⁴.

⁴² NCREIF, JLL, 2Q18.

⁴³ JLL, 2Q19. Simple average of Tokyo, Osaka & Seoul.

⁴⁴ JLL estimates, 2Q19.

4. Country Reports

4.1 China

Geographically, distribution centers in China are based in three major centers of economic activity: the Pearl River Delta (south), the Yangtze River Delta (east) and the Beijing Tianjin area (northeast). Ports have historically played a vital role in the development of logistics facilities and have been clustered around these three distribution centers. Similarly, newer modes of transportation have also primarily focused on these three centers.

China's growing consumer class (especially in the middle-income segment) is underpinning the rising consumption trends and subsequent growth in demand for high-quality logistics distribution space. China's household consumption has risen alongside average disposable income for the past two decades. Increasing incomes in turn are driving retail sales across a range of product categories. China's middle class and retail market are both growing geographically more diverse. Wealth and spending levels in the first twenty years of the country's reform period were concentrated in the Tier 1 cities such as Beijing and Shanghai. Those cities have continued to become more financially affluent, but in recent years, a growing population base in Tier 1.5, Tier 2, Tier 3, and even Tier 4 cities has also entered the consumer class.

The logistics sector in particular continues to offer attractive long-term opportunities as China builds its supply chain infrastructure. The inland relocation of manufacturing capacity—combined with domestic consumption growth led by the rise of the middle class throughout the country—is creating strong demand for prime warehouse space. Many manufacturers and retailers are modernizing and streamlining their supply chains, creating demand for modern, high-specification facilities.

China's substantial investment in transportation infrastructure is also enabling businesses to expand their distribution networks. Shanghai, Beijing and Guangzhou are the three major air cargo hubs situated on mainland China. China's extensive expressway network is supportive of the growth of the domestic logistics market, acting as a backbone for the truck-based distribution network.

In conjunction with the domestic consumption growth story, the rise in e-commerce spending is also expected to be a major tailwind for the logistics real estate market. China's rapidly growing e-commerce market continues to drive companies to invest in prime warehouses. This allows companies to strengthen their logistics capabilities while controlling costs and maintaining quality.

Location is a critical factor when it comes to assessing the potential success of a warehouse in China. In some cases, the best location is one closest to a large city's densely populated core areas. Typically, this is where most consumers and retail stores are concentrated. The complexity of warehouses in terms of specifications and space (e.g. demand for multi-story warehouses) also means that logistics real estate developers with the relevant capabilities have the ability to command premium pricing in these markets. In other cases, occupiers may utilize a multi-city (or regional) distribution model. Occupiers who choose this strategy will prefer a location that is a greater distance from one city center if they can be within a similar distance to other cities.

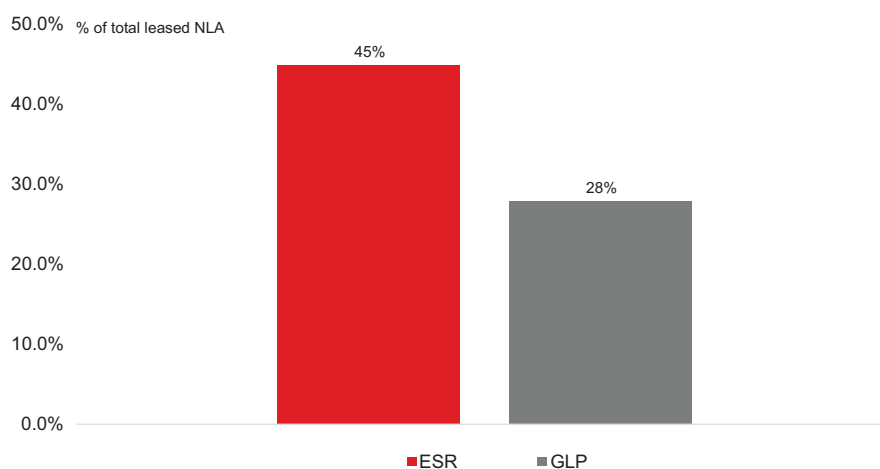
Satellite cities are another strong location type in China. Located in proximity to the country's largest cities, these markets are attractive to "spill-over" tenants who wish to serve consumer markets in the big cities, but are unable to find warehouse space there due to supply constraints. Rents are relatively low and there are typically more space options for tenants in satellite markets. In recent

years, satellite markets that sit between multiple large markets have emerged as ideal locations for regional distribution. For example, Langfang between Beijing and Tianjin, and Kunshan between Shanghai and multiple Yangtze River Delta markets have emerged as significant distribution hubs.

i. Key tenants

The key tenants in China for logistics real estate primarily include blue-chip 3PL service providers and e-commerce companies. E-commerce operators are a large source of demand for logistics real estate in China, underpinned by trends in consumption patterns as well as the higher space requirements for these operators (typically three times more space compared to traditional retail). E-commerce occupiers form a relatively larger proportion of the occupier base of many owners and managers of logistics space in China, including ESR, which has one of the largest e-commerce exposure in terms of floor area in China (see Figure 23)⁴⁵.

Figure 23: E-commerce occupiers as % of total area occupied in China, September 2017



Source: Half Year and 2nd quarter FY2018 presentation (GLP), ESR.

Note: As at September 2017 (latest publicly available data for GLP).

ii. Modern logistics space

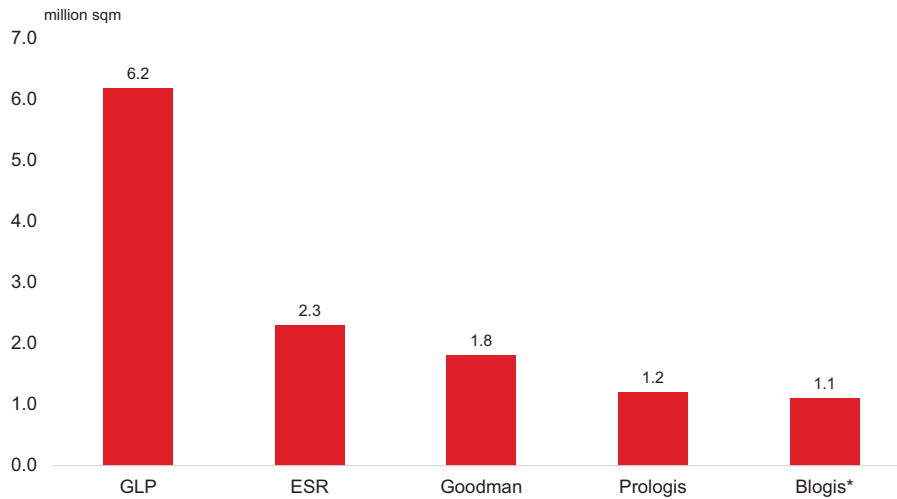
Segmentation of total logistic space is not available on a consistent basis at the local level. At the national level, around 5% of total logistics stock is considered modern⁴⁶. Nonetheless, there are a number of major owners, managers and developers of logistics stock in China. GLP is estimated to own and manage around 6.2 million sq.m of logistics space in China with a supply pipeline of around 1.4 million sqm until end-2020. Next is ESR, which has the second largest portfolio of stock owned and managed in China (see Figure 24)⁴⁷.

⁴⁵ JLL estimates from company reports and presentations, ESR.

⁴⁶ JLL estimates based on a combination of information from public sources, company reports, site visits, and industry contacts. The broad criteria for space to be considered modern is detailed in section 3.2.

⁴⁷ See chart note under Figure 24.

Figure 24: Key logistics players in Greater Beijing, Greater Shanghai & Greater Guangzhou: ranked by stock owned and managed (sq.m), 2Q19

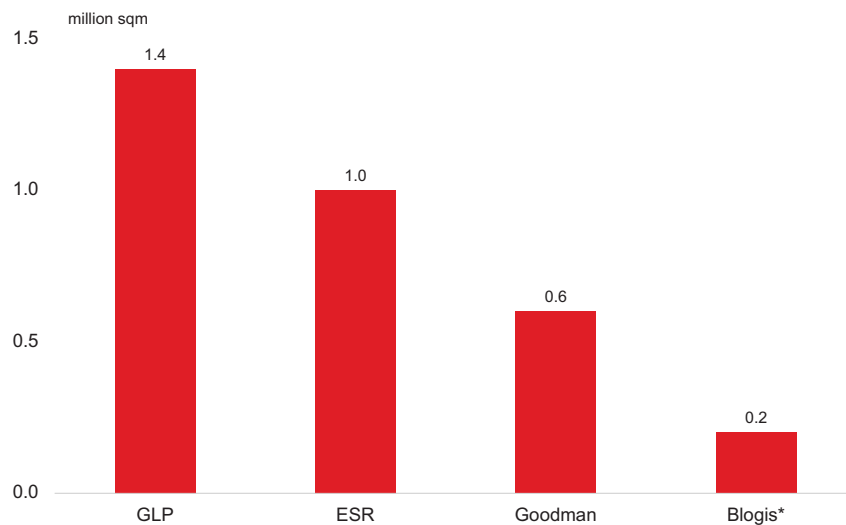


Source: ESR data based on company data as at 2Q19; other companies' data are JLL estimates based on a combination of public sources, company reports, site visits, industry contacts, 2Q19.

Note: 1) JLL coverage areas in Greater Shanghai, Greater Beijing, and Greater Guangzhou, 2) These are JLL estimates, and as such, the data may not necessarily match with internal data maintained by the companies mentioned in the chart.

*Local owner or developer.

Figure 25: Key logistics players in Greater Beijing, Greater Shanghai & Greater Guangzhou—ranked by supply pipeline (sq.m), 3Q19-2020



Source: ESR data based on company data as at 2Q19; other companies' data are JLL estimates based on a combination of public sources, company reports, site visits, industry contacts, 2Q19.

Note: 1) Based on JLL coverage areas in Greater Shanghai, Greater Beijing & Greater Guangzhou, 2) Pipeline for ESR includes five projects which were not tracked in JLL's supply pipeline but provided by ESR, 3) These are JLL estimates, and as such, the data may not necessarily match with internal data maintained by the companies mentioned in the chart.

* Local owner or developer

iii. Government policies

China's 13th Five Year Plan (2016-2020) includes a number of initiatives that provide support for the logistics sector in China⁴⁸. Some of the key goals in the plan as follows:

- Build a multi-level business and trade logistics network;
- Strengthen business and trade logistics infrastructure;
- Promote standardization in business and trade logistics construction;
- Strengthen the “informationization” of business and trade logistics construction;
- Promote the intensive development of business and trade logistics;
- Promote the “professionalization” of development of business and trade logistics;
- Promote the international development of business and trade logistics;
- Accelerate the green transformation of business and trade logistics;
- Establish a business and trade logistics credit system.

iv. Demand and supply

Greater Beijing, Greater Shanghai, Greater Guangzhou and Wuhan together have an average occupancy rate of 95% as at 2Q19⁴⁹. In Beijing, the constraints on new supply becoming operational coupled with healthy demand has contributed to occupancy levels above 90%. The city government continues to restrict the amount of new warehouse land entering the market in its attempt to shift non-core administrative functions away from Beijing.

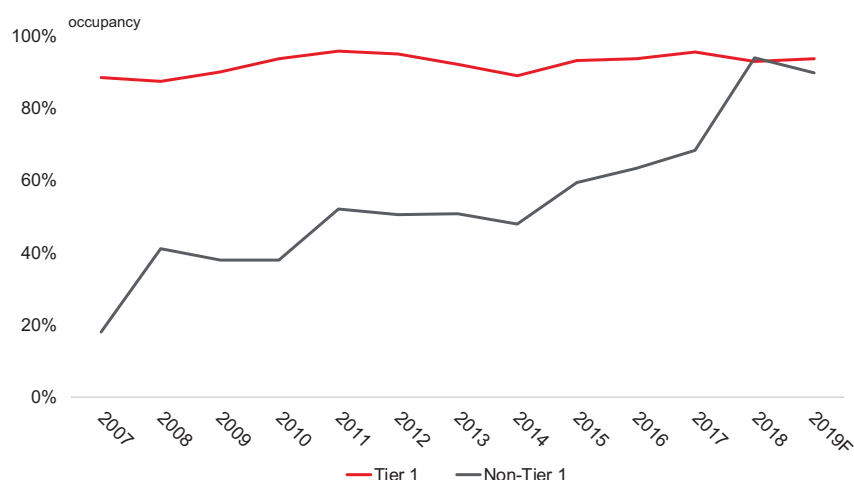
We have yet to see e-commerce tenants returning space in Beijing; rather, there are cases reported of such tenants consolidating space from nearby markets into the Chinese capital. Despite softer economic growth, the average occupancy rate in Greater Beijing is expected to remain above 90% in the next two years.

The average occupancy rate in the Shanghai logistics market stood at 93% as at 2Q19, close to the market's 2010 levels. There was still considerable leasing activity coming from manufacturing firms and 3PL service providers. Looking ahead, demand should continue to be fundamentally driven by local and regional consumer market growth. Bricks-and-mortar retailers and e-commerce firms (along with 3PL service providers serving them) are all seeking high quality modern warehouse space, while there will also be strong demand from manufacturers. Similar to Shanghai, the satellite cities of Jiaxing, Taicang and Kunshan recorded almost full occupancy levels at the end of 2Q19, reflecting continued strong momentum in tenant demand for space.

Going forward, the average occupancy rate in Greater Shanghai is forecast to continue to remain above 95% over the next two years because of a more limited supply pipeline.

⁴⁸ China's Ministry of Commerce.

⁴⁹ Unless otherwise stated, all data on this page are from JLL, 2Q19.

Figure 26: Average occupancy rates in China's Tier 1 and non-Tier 1 logistics real estate markets

Source: JLL, 2Q19.

Note: Tier 1 markets: simple average of Beijing, Shanghai & Guangzhou.

The local government in Guangzhou has typically restricted logistics development. With supply constrained and rising tenant demand, vacancy has remained consistently low in Greater Guangzhou. Other submarkets such as Huangpu and Zengcheng also have very low space availability. Existing projects close to Guangzhou's city center are operating at near full occupancy⁵⁰. However, most supply in 2019 is located in areas where the demand for space has historically been lower. Nonetheless, leasing demand is expected to come from traditional retailers and manufacturers that are more cost-sensitive and less location-sensitive.

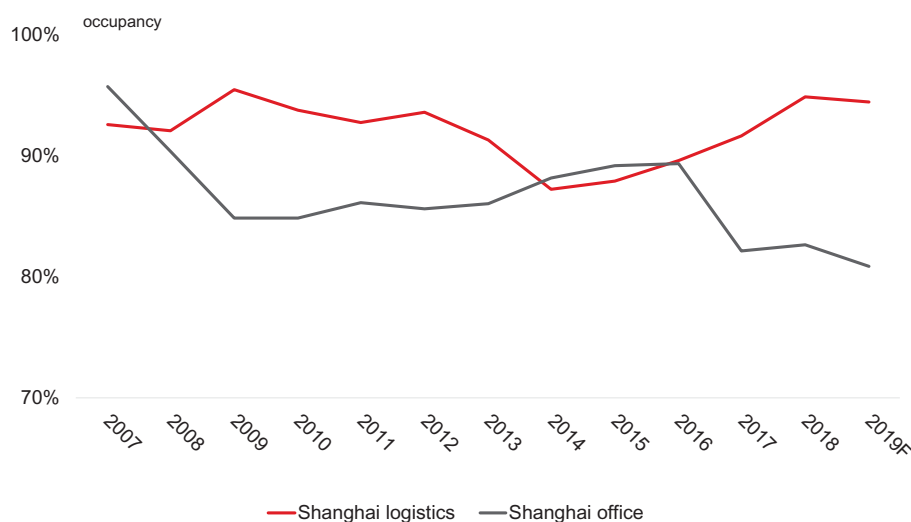
Leasing demand in Dongguan's logistics market remains healthy. Ideally located for many occupiers and with well-developed road infrastructure, Dongguan is able to attract leasing demand from both e-commerce and traditional retailers who are looking to set up distribution centers to serve nearby markets. There has also been recent demand outflow from nearby Shenzhen given the lack of large available space. Consequently, a growing number of retailers, such as Xiaomi and Ikea, are relocating to Dongguan.

The overall occupancy rate in Guangzhou is forecast to remain stable at between 80% and 90% between 3Q19 and end-2020 as a result of the supply additions. Occupancy rates in Dongguan and Foshan are expected to stay in a range between 80% and 90% over the same period, as strong supply additions is being met with strong demand patterns and a relatively sophisticated logistics industry in these two cities may increase the market's appeal to potential tenants.

Recently the Wuhan warehouse market has recorded strong net take-up from 3PL service providers and e-commerce firms. Consequently, overall occupancy remained at about 90% in 2Q19.

Typically, logistics occupancy is often higher and more stable than occupancy in office markets. For example, figure 27 shows the historical occupancy for the Shanghai logistics and office markets. Logistics occupancy is relatively more stable and has typically been higher since 2007.

⁵⁰ Unless otherwise stated, all data on this page are from JLL, 2Q19.

Figure 27: Average occupancy rates in Shanghai logistics & office markets, 2Q19

Source: JLL, 2Q19.

v. Rents

Rents (average for the total market)⁵¹ in Beijing have increased by about 90% since end-2008 and continue to grow at a strong pace as a result of near full market occupancy and driven by strong demand from 3PL service providers and e-commerce companies. The average rental level is around RMB 1.54 per sq.m per day⁵². Much of the rental growth in 1H 2019 was led by new leases at prime locations. Due to their attractive positions in the market, landlords in Beijing Airport Logistics Park and Tongzhou Logistics Park generally maintained strong bargaining power during lease negotiations.

Similarly, rents in Tianjin have increased by 58% since end-2008, supported by a rising middle class and strong consumption demand. The average rental level is around RMB 1.01 per sq.m per day in Tianjin and RMB 1.03 per sq.m per day in Langfang as at 2Q19. In Beijing, growing demand coupled with limited space options for occupiers supported rental growth of 18.8% in 2018, and are expected to drive growth of 12.6% for full year 2019 and 6.6% in 2020. Rents in Tianjin and Langfang are projected to remain generally steady over the same period.

Rents in Shanghai have increased by about 46% since end-2008. While rental growth has been strong, it has been relatively moderate compared to that of Beijing primarily because of greater supply in Shanghai's satellite cities. West Shanghai, Qingpu, Minhang, and the Northwest Logistics Zone recorded strong rental growth, as did the Pudong Airport and Pudong submarkets in East Shanghai. Rents were relatively slower to rise in Lingang, where much of Shanghai's vacancy remains concentrated. The average rental level in Shanghai is around RMB 1.44 per sq.m per day as at 2Q19.

Rents have grown at an even faster pace in Shanghai's satellite cities. Given their proximity to Shanghai and other major consumer markets such as Suzhou in the Yangtze Delta Region, Kunshan and Jiading are expected to continue to capture demand from regional distributors as well as spill-over demand from the tight West Shanghai market. Kunshan recorded rental growth of about 70% since

⁵¹ All references to rents in the China section refer to the average for the total market. The total market includes both modern and non-modern warehouses.

⁵² Unless otherwise stated, all data on this page are from JLL, 2Q19 (except 4Q18 for Dongguan and Foshan).

end-2008, while rents in Jiaxing have increased by 66% since 2011. The average rental level is around RMB 1.16 per sq.m per day in Kunshan, RMB 0.96 per sq.m per day in Jiaxing, and RMB 0.91 per sq.m per day in Taicang as at 2Q19. Average rent of Pinghu, an emerging submarket that lies in the east of Jiaxing, stood at RMB 0.93 per sq.m per day at 2Q19. Further moderate growth is expected, supported by a constrained supply pipeline.

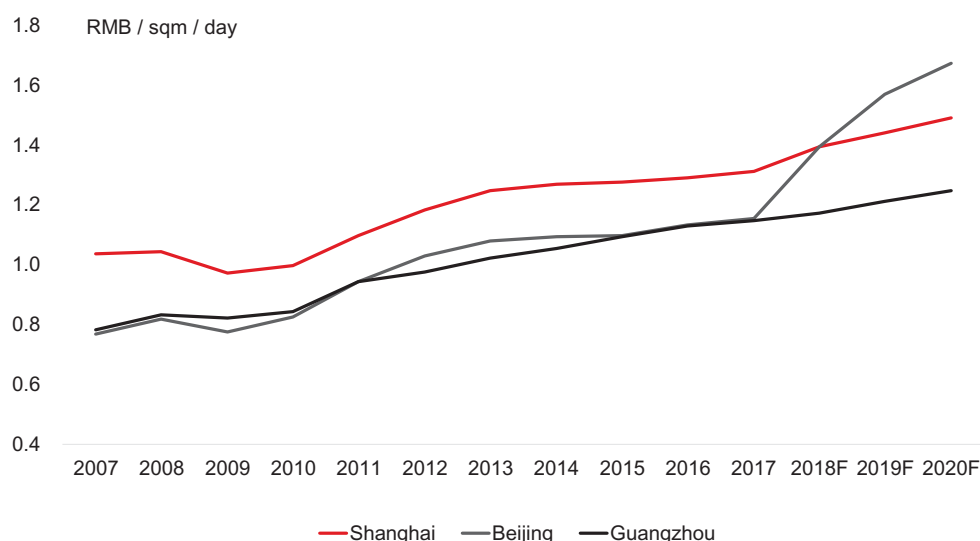
Rents in Shanghai grew by 5.0% in 2018 and are forecast to continue to trend upward over 2019 and 2020, growing at average of 3.5% per year. This is expected to be underpinned by strong demand and limited supply. However, competition from satellite cities may result in broad growth across all sub-markets. For example, rents in Kunshan, Taicang, and Jiaxing are expected to continue to trend upward. Kunshan in particular is expected to continue to capture demand from regional distributors as well as spill over demand from the tight West Shanghai market.

Rents in Guangzhou have increased by about 47% since end-2008 to stand at around RMB 1.21 per sq.m per day. With consistently high occupancy in core locations and higher vacancies in emerging, less popular areas, steady rental growth is expected in Guangzhou over the next three years (average rental growth of 3.2% per year in the 2019-2020 period).

The average rental level is around RMB 1.17 per sq.m per day in Dongguan and RMB 1.02 per sq.m per day in Foshan as at 2Q19. Despite high supply in 2017, the tenant market more than absorbed all new supply in Dongguan and the average occupancy rate increased to near 100% by 2Q19⁵³. Land constraints in nearby cities alongside a relatively tight Dongguan land market have restricted new supply. This in part has kept rents at broadly high levels. Rents in Dongguan and Foshan are expected to grow at a similar rate as Guangzhou, supported by demand from the maturing logistics industry. The overall rental level in Wuhan is around RMB 0.88 per sq.m per day. This is anticipated to continue to trend upward primarily on account of strong demand from international operators.

Rental growth in the logistics segment has generally outpaced office rental growth over the past decade. For example, logistics rents in Shanghai increased by about 46% since end-2008 as compared to 4% growth in overall office market rents. Rental growth in the logistics market is also generally less volatile. This can be particularly true for larger developers who service blue-chip clients in more modern facilities.

⁵³ Unless otherwise stated, all data on this page are from JLL, 2Q19.

Figure 28: Average rents in select China Tier 1 logistics markets, 2Q19

Source: JLL, 2Q19.

vi. Investment Market

Investment interest in the China logistics sector remains high, driven by strong demand and a relative lack of supply. Many investors continue to seek investment opportunities, including foreign and domestic insurance and investment companies, as well as developers.

Interest in assets in the Tier 1 cities remains particularly strong. As investment companies and developers remain active in seeking tradable facilities in Beijing, despite limited available targets, the growth in capital values has significantly outpaced rental growth over the past 10 years. This has resulted in gross rental yields in Beijing compressing to 6.7%⁵⁴ (about 200 basis points) since end-2008. Following a similar trend, market yields in Tianjin compressed by about 80 basis points to 8.0% over the same period. Capital values in Beijing increased 25.5% in 2018 and outpaced rental growth. Looking ahead, capital values are forecast to grow by an average of 12% per year for full year 2019 and in 2020.

Similarly, market yields in Shanghai have compressed by over 230 basis points since end-2008 to stand at 6.7% as at 2Q19. Market yields in Kunshan have also compressed by about 200 basis points since end-2008 to 7.0% at 2Q19⁵⁵. Capital values in Shanghai increased 10.5% in 2018 and outpaced rental growth. Looking ahead, capital values are forecast to grow by an average of 5.0% for full year 2019 and in 2020.

Investment demand in Guangzhou is high, partly because of the limited opportunity to acquire holdings in the area. Given the backdrop of relatively restrictive government policies, the Guangzhou market is likely to remain a key logistic market for many investors and developers in China.

Market yields in Guangzhou have compressed by about 70 basis points since end-2008 to stand at 8.0%⁵⁶ as at 2Q19. Yields in Dongguan are estimated to be 8.0% as at 2Q19. Lack of new supply,

⁵⁴ Market yield is a gross rental yield. In the calculation of market yield, the transaction costs of purchasing or leasing of space is not included. The market yield therefore reflects the returns to investment before transaction costs, assuming full occupancy and that the current income being paid is the market effective rent.

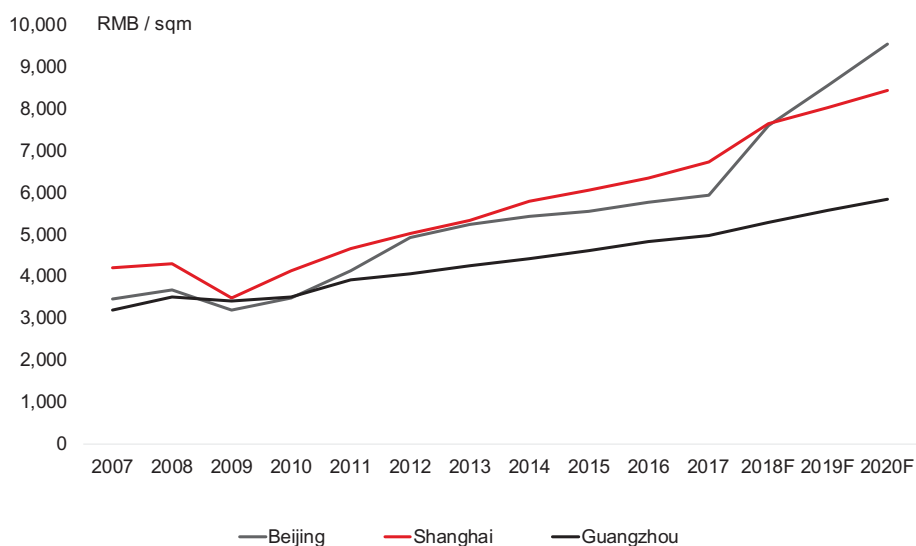
⁵⁵ Unless otherwise stated, all data on this page are from JLL, 2Q19.

⁵⁶ A market average is provided as actual market yields vary widely

strong rents, high occupier demand, and locational advantages have supported investor interest. Capital values in Guangzhou increased 4.9% in 2018 and are forecast to grow by an average of around 5.0% per year for full year 2019 and in 2020.

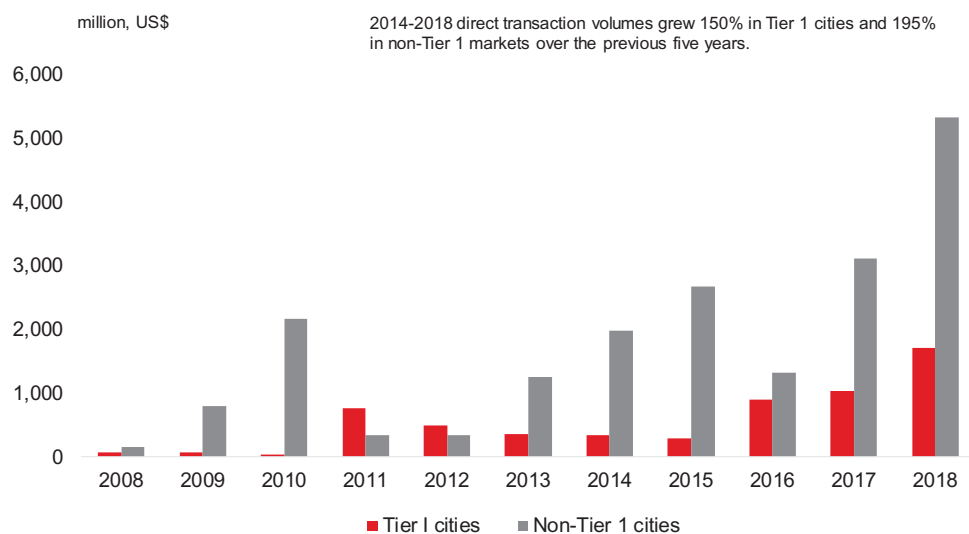
Average capital value growth in Wuhan has continued to outpace rental growth. As such, market average yields compressed from 9.0% in 2011 to 8.0% at 2Q19.

Figure 29: Average capital values in select China Tier 1 logistics markets, 2Q19



Source: JLL, 2Q19.

Figure 30: Direct transaction volumes of industrial real estate in select China's Tier 1 and non-Tier 1 markets



Source: JLL, Real Capital Analytics, 2019.

Note: Tier 1 cities: Beijing, Shanghai and Guangzhou. Non-Tier 1 cities: the rest of China.

vii. Greater Beijing overview (Beijing, Tianjin & Langfang)

Strong demand trends led by an increasingly affluent middle class (which is driving consumption growth) is the key tailwind for the Beijing market, as it is for China in general. The e-commerce industry is now one of the most important drivers of demand in the Greater Beijing logistics market. The rapid growth of the business-to-consumer (B2C) e-commerce market has accounted for some of the largest spaces leased in and around Beijing. Traditionally, e-commerce firms have leased space in Beijing for last-mile distribution activities and to serve the city's population base. To serve the rest of North China, e-commerce firms have typically set up operations in the satellite markets of Langfang and northern Tianjin.

Figure 31: Greater Beijing Logistics market



Source: JLL.

3PL service providers constitute another major demand driver. Sustained growth in total retail sales over the past decade has led to robust demand from 3PL service providers. Besides e-commerce and 3PL service providers, there has been significant absorption from brick-and-mortar retailers and manufacturers. Pharmaceutical companies have also been a key tenant for logistics space in this market.

Beijing is the capital of China and the logistics industry benefits indirectly from central government organizations located there. Beijing was the largest primary logistics hub before 2015, with total logistics space of around 2.4 million sq.m as at 2Q19⁵⁷. However, supply within the city moderated slightly post the roll-out of the policy of “shifting Beijing’s non-capital functions” in 2014.

⁵⁷ Unless otherwise stated, all data on this page are from JLL, 2Q19.

In 2015, Tianjin surpassed Beijing to become the largest primary logistics hub in North China. The Greater Beijing (Beijing, Tianjin, Langfang) area has around 6.3 million sq.m of existing international standard logistics space as at 2Q19, accounting for about 12.5% of the space that JLL tracks across 24 cities in China.

viii. Greater Shanghai overview (Shanghai and the satellite cities of Jiaxing, Taicang & Kunshan)⁵⁸

Shanghai is the largest logistics market in China, and acts as a key gateway city. Shanghai's growing retail market has traditionally attracted both local and international retailers. Demand for logistics space is fundamentally driven by local and regional consumer market growth, with bricks-and-mortar retailers and e-commerce firms (along with 3PL service providers serving them) seeking modern warehouse space. Manufacturers are another major demand driver in Shanghai.

Figure 32: Greater Shanghai Logistics market



Source: JLL.

Within Shanghai's borders, occupiers that require to be close to the CBD would typically form the occupier base, such as supermarket chains. The satellite cities of Shanghai have similar demand

⁵⁸ Only logistics facilities in Shanghai, Jiaxing, Taicang & Kunshan are included when analyzing supply and demand in Greater Shanghai for the purpose of this study (facilities in Suzhou are not included).

drivers to those of Shanghai. For example, Kunshan, Taicang and Jiaxing have easy access to Shanghai consumers while also enabling efficient distribution to the increasingly wealthy mid-size cities of the Yangtze River Delta.

Kunshan is an important satellite city to Shanghai and by extension, one of the most important logistics markets in China. The proximity to Shanghai, notably the Shanghai CBD, makes Kunshan a better positioned market than more distant suburbs in the city of Shanghai. Space in the city is in high demand from occupants for regional (Yangtze Delta Region) distribution as well as for Shanghai city distribution. Pinghu is an emerging submarket that is part of Jiaxing, and with less stock and lower rental levels than Jiaxing. Projects in Pinghu are typically located along highways, attracting spillover demand from Shanghai and Jiaxing's other more mature submarkets.

A few other emerging logistics locations can also be recognized as part of the Greater Shanghai market due to their proximity. One example is Suzhou, an emerging market that has benefited from limited supply and growing rents in Kunshan. A number of developers and investors are seeking opportunities in this area as an alternative to the Kunshan market. In particular, the Fenhu area of the Wujiang submarket in Suzhou has attracted attention from developers and tenants for its proximity to Shanghai and its good access to the G50 expressway, which connects Shanghai with the broader Yangtze River Delta.

The Greater Shanghai (Shanghai, Taicang, Kunshan, Jiaxing) area has around 10.2 million sqm of existing international standard logistics space as at 2Q19, accounting for about 20% of the space that JLL tracks across 24 cities in China.

ix. Greater Guangzhou overview (Guangzhou, Foshan, Dongguan)

Similar to other China markets, strong consumption demand remains a key driver for the Greater Guangzhou market. As the key distribution center of South China, Guangzhou has attracted many major e-commerce retailers. For example, JD.com, Amazon and Suning have set up regional distribution facilities in the city⁵⁹. Demand from 3PL service providers has also remained strong and has increased in lockstep with e-commerce players. Traditional retailers and supermarkets are also active players in the warehouse leasing market. Guangzhou's major submarkets include Huangpu, Zengcheng, Huadu and Conghua, with Huangpu being the core submarket as well as the largest in terms of total logistics space.

Guangzhou's lack of available space has led to demand spilling over to neighboring cities such as Foshan and Dongguan. In recent years, e-commerce firms have expanded rapidly in the Pearl River Delta region, with Dongguan ranking among the most preferred locations to operate, behind only Guangzhou and Shenzhen. This expansion has stimulated demand from both e-commerce retailers and 3PL service providers.

Traditionally a manufacturing base in South China, Dongguan's development into a new regional logistics hub exemplifies the ongoing transformation of the Pearl River Delta region's growth engine, from manufacturing and international trade towards industries that focus on domestic consumption. Dongguan is located between two major Tier 1 cities in South China, Shenzhen and Guangzhou. Both these cities have traditionally been among the most supply-constrained logistics markets in China. The city is surrounded by a comprehensive road network, including five major

⁵⁹ Unless otherwise stated, all data on this page are from JLL, 2Q19

highways and within easy access to the Pearl River Estuary. This makes it highly accessible to surrounding cities including Guangzhou and Zhongshan.

As Guangzhou's occupancy rates increase in the core submarket and future supply is concentrated in non-core areas, demand spill-over to Foshan and Dongguan is expected to continue. These markets have more available space and at broadly lower rental levels.

Further, strong infrastructure build-up is helping to integrate the Greater Bay Area (GBA), which includes the two Special Administrative Regions of Hong Kong and Macao and 9 municipalities in Guangdong. Geographically, the GBA is about three times the size of the San Francisco Bay Area, with a combined population of over 69 million people and GDP of around US\$1.5 trillion (comparable to that of Tokyo Bay Area and New York Metropolitan Area)⁶⁰. Recent landmark infrastructure projects include the Hong Kong-Zhuhai-Macao Bridge and Guangzhou-Shenzhen-Hong Kong Express Rail Link. Upcoming projects such as Shenzhen-Zhongshan Bridge (2024) and the Humen Second Bridge (2019) may further reduce travelling time across the Pearl River Delta region⁶¹.

The Greater Guangzhou (Guangzhou, Foshan, Dongguan) area has around 5.9 million sqm of existing international standard logistics space as at 2Q19, accounting for about 12% of the space that JLL tracks across 24 cities in China.

Figure 33: Greater Guangzhou Logistics market



Source: JLL.

⁶⁰ LegCo, JLL, 3Q18.

⁶¹ Hong Kong and Macao Affairs Office of Guangdong, JLL, 3Q18

x. Wuhan overview

Wuhan is characterized by its location advantage as central China's logistics hub. With well-developed expressway networks, 3PL service providers can service adjacent provinces. Major occupier categories include e-commerce companies, 3PL service providers, retailers and manufacturing companies.

The scale of e-commerce sales in Hubei province is highest in the Central China region. Wuhan accounts for more than 70% of e-commerce sales in Hubei Province. Many well-known e-commerce companies have set up their regional headquarters in Wuhan, including JD.com, MI, and VIPshop. The sustained growth in consumer goods sales and the positive retail sentiment have supported the rapid expansion of retailers in the area.

Logistics space in Wuhan currently totals around 1.6 million sq.m. Around 0.9 million sq.m of warehouse space is projected to be completed between 3Q19 and end-2020⁶².

Among the six submarkets located around Wuhan's urban district, Dongxihu and Huangpi are expected to continue to perform strongly. Both are close to key infrastructure nodes, including the airport and the entrance of the G4 Expressway (the main traffic artery between northern and southern China, connecting Beijing, Guangzhou and Hong Kong).

4.2 Japan

Japan is considered to be Asia's logistics leader in terms of transportation connectivity. It is also a major hub in manufacturing supply chains in Asia and a market leader in industries like consumer electronics and automobiles. Amidst strong regional demand and intensifying global competition, Japan-based exporters have pursued a strategy of shifting towards higher value-added products and off-shoring production by expanding supply chains within Asia.

Japan's 2017 contract logistics growth was the strongest since 2010, although growth slowed in 2018⁶³. The increase in global demand helped core Japanese industries boost production activity. Strong demand for logistics space from key occupier groups, including from e-commerce and 3PL service providers, is expected to continue, even as new supply becomes operational. Occupancy rates in areas close to major city centers⁶⁴ are expected to remain high, supported by strong demand-side drivers.

i. Key tenants

E-commerce retailers currently occupy around 7% of modern logistics space in Japan. However, e-commerce occupiers form a relatively larger proportion of the occupier base of many owners and managers of logistics space in Japan, including ESR, which has one of the largest e-commerce exposure in terms of floor area in Japan, with 30% of the area occupied in ESR's logistics portfolio in Japan occupied by e-commerce tenants (as at September 2017)⁶⁵. Retail tenants that have online services occupy an additional estimated 14% of total space. This also includes space held by J-REITs such as GLP, Daiwa House, and Mitsui Fudosan.

⁶² Unless otherwise stated, all data on this page are from JLL, 2Q19.

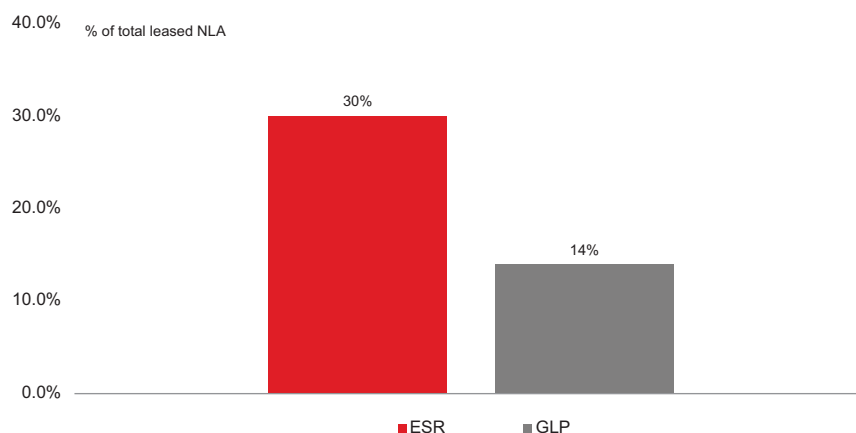
⁶³ Transport Intelligence, August 2019.

⁶⁴ Tier 1 cities in Japan are Tokyo and Osaka.

⁶⁵ Company reports and presentations, ESR.

Major tenants for logistics space include Hitachi Transport System Group (3PL), Nippon Express Group (3PL), Senko Corporation (3PL), ASKUL Corp. (e-commerce) and Mitsubishi Shokuhin (food wholesale).

Figure 34: E-commerce occupiers as % of total area occupied in Japan, September 2017



Source: Half Year and 2nd quarter FY2018 presentation (GLP), ESR.

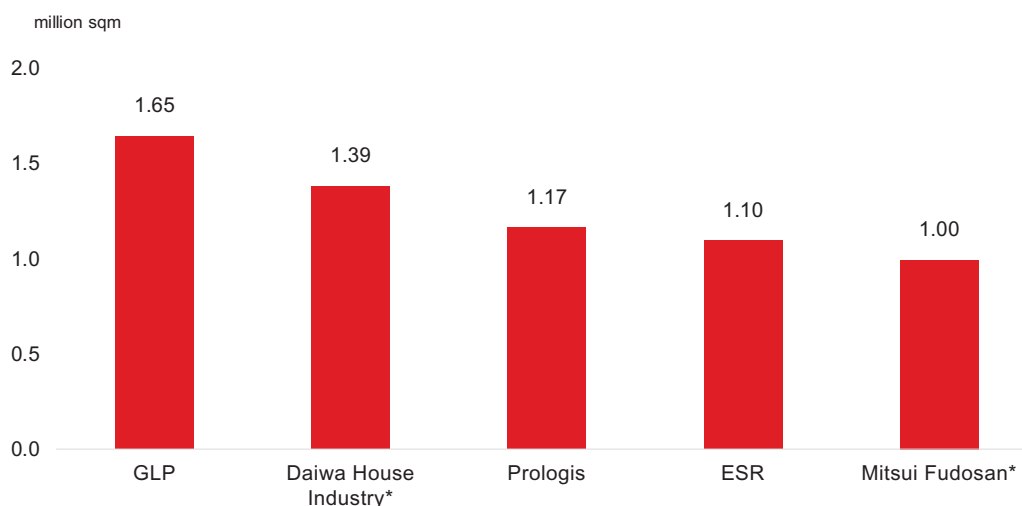
Note: As at September 2017 (latest publicly available data for GLP).

ii. Modern logistics space

The majority of all logistics facilities in Japan consist of space owned by corporates for captive use. Nationally, only about 5%⁶⁶ of Japan's total market consists of large modern logistics facilities for lease. Even for facilities built after 2000, only an estimated 38% of logistics facilities can be considered modern, including logistics facilities that are both leased and owner-occupied⁶⁷. This may imply more scope for modern logistics development in the future.

⁶⁶ JLL estimates based on a combination of information from public sources, company reports, site visits, and industry contacts, 2Q19

⁶⁷ The broad criteria for space to be considered modern is detailed in section 3.2.

Figure 35: Key logistics players in Japan: ranked by stock owned and managed (sq.m)[^], 2Q19

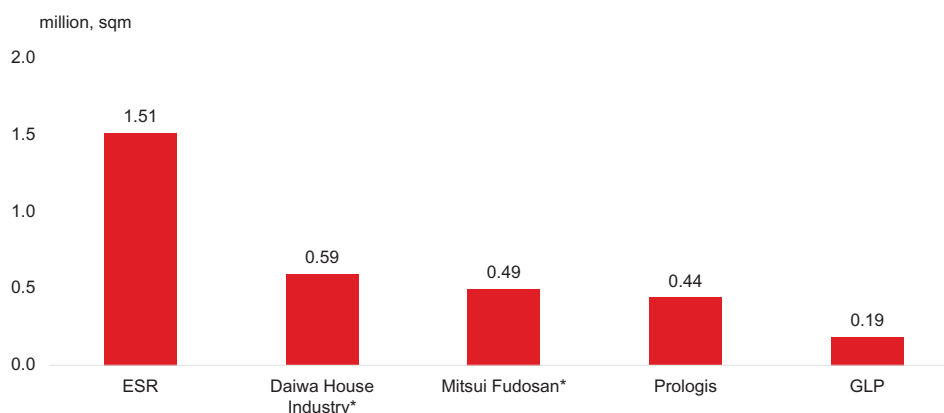
Source: JLL estimates based on a combination of information from public sources, company reports, site visits, and industry contacts, 2Q19

Note: 1) Excludes owner- occupier market, and based on JLL's market coverage of Greater Tokyo and Greater Osaka, 2) These are JLL estimates, and as such, the data may not necessarily match with internal data maintained by the companies mentioned in the chart.

[^] Completions between 2015-2Q19. ESR data based on company data from 2Q19.

*Local owner or developer.

A number of major logistics developers have relatively large supply pipelines. ESR has the largest development pipeline (by gross floor area) in Japan (3Q19-2020), followed by Mitsui Fudosan and Daiwa House (see Figure 36)⁶⁸.

Figure 36: Key logistics players in Japan: ranked by supply pipeline (sq.m), 3Q19-2020

Source: ESR data based on company data from 2Q19; other companies' data are JLL estimates based on a combination of public sources, company reports, site visits, industry contacts, 2Q19.

Note: 1) Excludes owner- occupier market, and based on JLL's market coverage of Greater Tokyo and Greater Osaka, 2) These are JLL estimates, and as such, the data may not necessarily match with internal data maintained by the companies mentioned in the chart.

*Local owner or developer.

iii. Government policies

The government's focus on boosting economic growth and improving domestic consumption is expected to be a major driver for the logistics industry. The government's focus on infrastructure

⁶⁸ See chart note under Figure 36.

spending may support further growth in the logistics sector. Landmark projects like the extension of the Gakan Expressway in Greater Tokyo and the Shin-meishin Expressway in Greater Osaka will further improve supply chain efficiency. Government support for automation and AI is also expected to lead to more efficient logistics operations.

iv. Greater Tokyo overview

Greater Tokyo (Tokyo, Kanagawa, Chiba, Ibaraki) has a population of around 39 million people⁶⁹ and is the economic center of Japan. The Port of Tokyo is Japan's largest container port and the Narita international airport is the gateway that serves Tokyo. In addition, an extensive highway network enables connectivity throughout the entire Greater Tokyo area (e.g. Gaikan Chuo Expressway, Ken-O Expressway).

Modern warehouses in Greater Tokyo primarily consist of properties located in Tokyo, Kanagawa, Chiba, Saitama, and Southern Ibaraki (along Ken-O Expressway). The rise of e-commerce, and the expansion of traditional retailers into online services, has helped support higher take-up rates. Further expansion of expressways is expected to increase demand for inland warehouses in the Tokyo Inland market. New routes are expected to further shorten delivery time and thus reduce the cost for logistics companies.

Figure 37: Greater Tokyo Logistics market developing along the expressway network



Source: JLL.

Similar to most other APAC markets, e-commerce and 3PL service providers are key sources of demand, especially for newly completed warehouses. For example, Rakuten, a leading e-commerce firm, leased the 79,200-sq.m GLP Nagareyama 2 building in 2Q18⁷⁰. On the supply side, growth of new modern logistics space is being supported by tight labor markets and a shortage of truck drivers

⁶⁹ Ministry of Internal Affairs and Communications, 2018.

⁷⁰ Unless otherwise stated, all data on this page are from JLL, 2Q19.

and warehouse workers. This is making it imperative for latest logistics facilities to incorporate automation and modern design.

The average occupancy rate for Greater Tokyo was about 97% in 2Q19. All prime space in the Tokyo Bay area is fully occupied and the remaining vacant space in the Inland Area (close to the city center) are expected to be absorbed within a short time period, leading to upward pressure on rent and occupancy rates. High occupancy rates will also be supported by proximity to the port and access to other infrastructure nodes.

Average market rents in the Greater Tokyo logistics market have trended moderately upwards over the past five years. Rents have risen from about JPY 10,500 per sq.m per year in 2013 to JPY 11,700 per sq.m per year in 2Q19. However, rents of existing properties are expected to remain generally stable through to 2020. Any rental increase should be largely a result of new supply asking for higher rents in order to reflect rising land prices and construction costs, and also because any new supply is expected to be more modern and sophisticated in nature.

Investment interest in the sector remains strong. As such, average capital values of Greater Tokyo logistic properties have increased by about 33% between 4Q08 and 2Q19. Gross rental yields have compressed by 165 basis points in the Tokyo Bay and by 180 basis points in the Inland Area over the same period, standing at 3.8% and 4.0%⁷¹ respectively as at 2Q19.

v. Greater Osaka overview

Greater Osaka (Osaka, Kobe, Kyoto, Wakayama) has a population of around 18 million people⁷² and is the second largest urban area in Japan. As the economic center of the Kansai region, the Greater Osaka area is served by the Kansai International Airport as well as by the container ports of Kobe and Osaka. Developed highways have access throughout the entire Greater Osaka area (e.g. Shin-meishin Expressway). Modern warehouses in Greater Osaka are typically located in Osaka, Hyogo (southern area), Kyoto (southern area) and Wakayama (northern area).

⁷¹ Market yield is a gross rental yield. In the calculation of market yield, the transaction costs of purchasing or leasing of space is not included. The market yield therefore reflects the returns to investment before transaction costs, assuming full occupancy and that the current income being paid is the market effective rent.

⁷² Ministry of Internal Affairs and Communications, 2018.

Figure 38: Greater Osaka Logistics market

Source: JLL.

Increasing supply has been rapidly absorbed by solid demand, particularly from e-commerce and 3PL service providers. Examples of companies that have taken space recently include Amazon, Rakuten and Askul.

Similar to Greater Tokyo, labor shortages are contributing to demand for modern logistics facilities in this region as well. Demand for newly completed warehouses has mainly come from e-commerce tenants. For example, Amazon leased the entire 64,000-sq.m (GFA) D project Ibaraki B building in 2Q18⁷³.

The average occupancy rate stood at about 93% in Greater Osaka as at 2Q19. In the Inland area, there were no large multi-logistics facilities before 2015, although many properties have been built since 2017. Demand is steadily increasing and the existing vacancy is being gradually absorbed over time. In particular, demand for distribution facilities in the inland area is strong, and facilities are being occupied at a faster pace than those located in the Bay area. The lower supply profile is likely to lead to a more balanced demand-supply dynamic, which may support rental and occupancy growth.

Average rents in the Greater Osaka logistic market have been gradually trending upward in recent years, and have risen from JPY 9,700 per sq.m per year in 2015 to around JPY 10,000 per sq.m per year in 2Q19.

By sub-market, rents in the Bay area have been on a downward trend because of the large supply additions in 2016 and 2017. However, rents in the Inland area have been on an upward trend.

⁷³ Unless otherwise stated, all data on this page are from JLL, 2Q19.

Relatively strong demand coupled with limited vacant logistics space has underpinned much of this rental growth. Average rents of existing properties are expected to remain generally stable over the short term.

With investment demand remaining strong, new facilities in bay side markets like Sakai City may receive high enquires and interest from investors. As such, market yields in Greater Osaka have compressed by about 160 basis points since end-2008, falling to 4.0%⁷⁴ in 2Q19.

4.3 Korea

The primary logistics hubs in Korea are within the Seoul Capital Area (Greater Seoul), which consists of the city of Seoul, the city of Incheon, and the Gyeonggi province encircling Seoul⁷⁵. Greater Seoul is the largest urban area in the country with a population of 25.7 million people (49.7% of the country's population), and accounts for 56% of all logistics warehouse space in Korea in terms of GFA⁷⁶.

The Greater Seoul logistics market is largely concentrated within the southern region of the Gyeonggi province. This area has access to good infrastructure, including access to two of the top five ports as well as to major expressways. Affordable land is also generally widely available, allowing for large-scale projects. The Greater Seoul market can be divided into five submarkets:

1. **Seoul & nearby areas** (35% of modern logistics facilities of Greater Seoul⁷⁷) consists of the city of Seoul and nearby satellite cities, including Gimpo, Goyang and Incheon. This area is a key logistics hub because of its accessibility to the Seoul market, as well as to Incheon Port and Incheon International Airport.
2. **The South East submarket** (34% of the modern logistics facilities of Greater Seoul) is an emerging location, consisting of the cities of Icheon, Yeosu and Gwangju. The sub-market is well connected with Seoul and its satellite cities via three primary highways—Gyeongbu, Jungbu and Yeongdong. Favorable development regulations and relatively affordable land costs have attracted major new developments and new tenants (e.g. e-commerce firms, 3PL service providers, fashion companies, and food brands).
3. **The South West submarket** (20% of modern logistics facilities of Greater Seoul) comprises the cities of Pyeongtaek, Anseong and Osan, and benefits from its proximity to the West Coast Expressway and the Port of Pyeongtaek. This submarket typically handles large quantities of Chinese produced industrial goods and crops.
4. **The Central Gyeonggi-do submarket** (10% of modern logistics facilities of Greater Seoul) encompasses Yongin, Gunpo and Suwon. Two major expressways, Gyeongbu and Yeongdong, underpin the market. While demand has remained strong, it has been somewhat capped by recent hikes in land prices.
5. **The Other category submarket** accounts for the remaining modern logistics facilities in Greater Seoul. This submarket comprises the Gyeonggi-do Province to the north and east of Seoul.

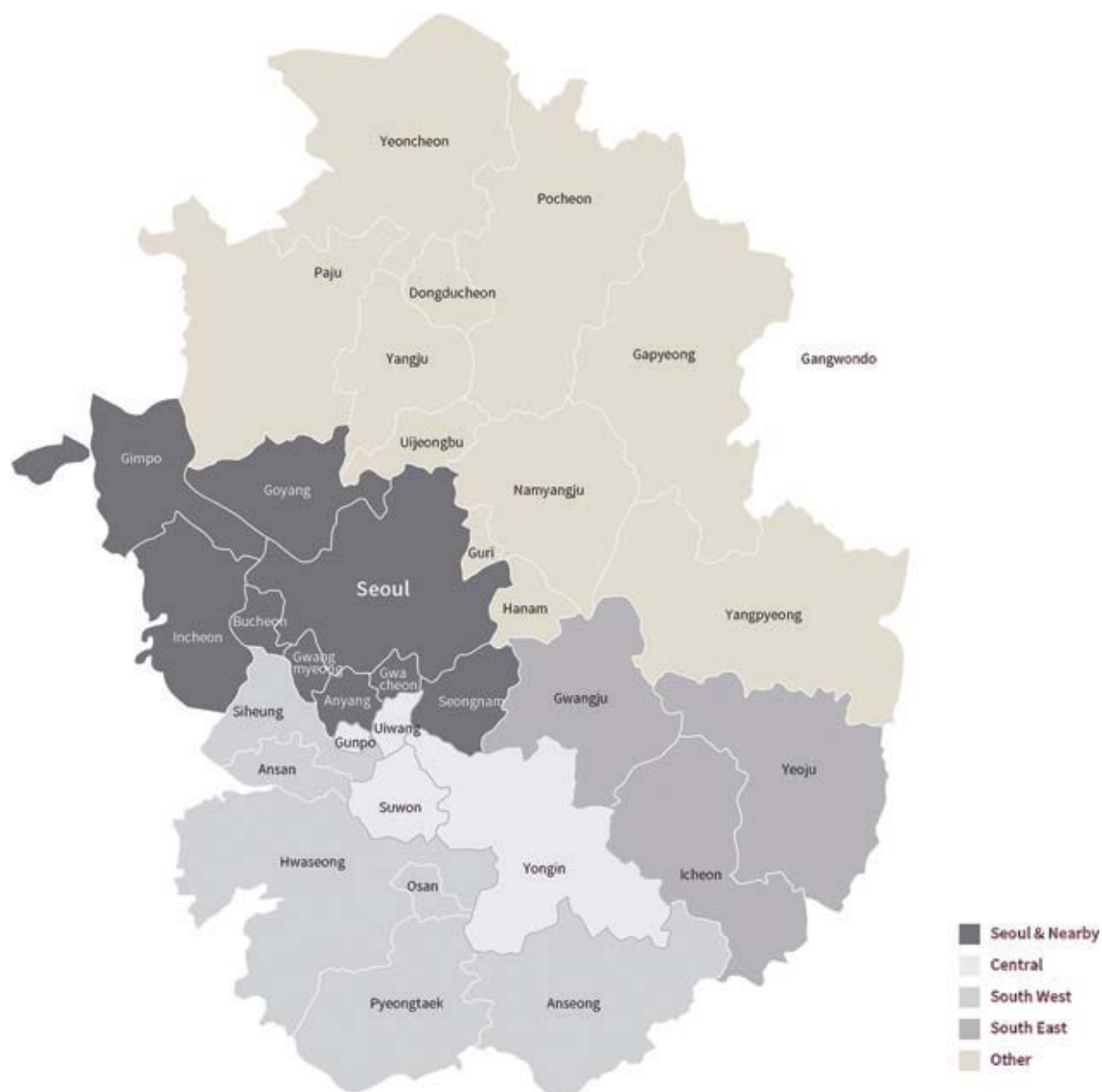
⁷⁴ Market yield is a gross rental yield. In the calculation of market yield, the transaction costs of purchasing or leasing of space is not included. The market yield therefore reflects the returns to investment before transaction costs, assuming full occupancy and that the current income being paid is the market effective rent.

⁷⁵ Seoul is considered Korea's tier 1 city.

⁷⁶ National Logistics Information Centre, South Korea, 2Q18.

⁷⁷ Unless otherwise stated, all data on this page are JLL estimates, 2Q18.

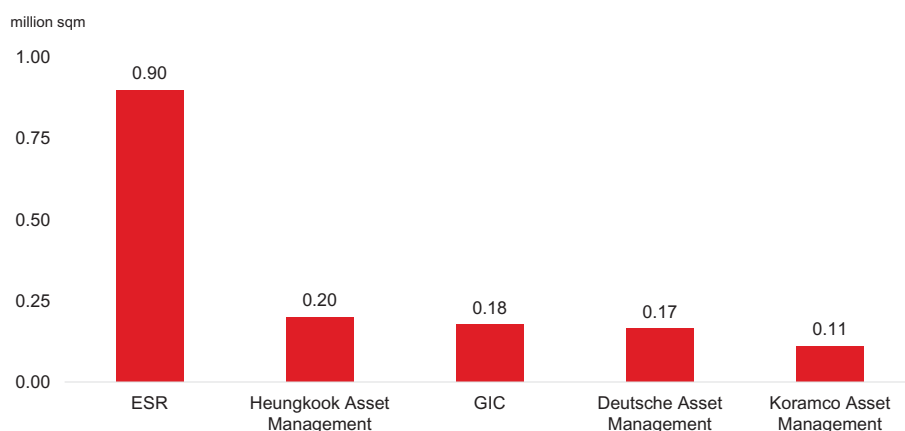
Figure 39: Greater Seoul Logistics market



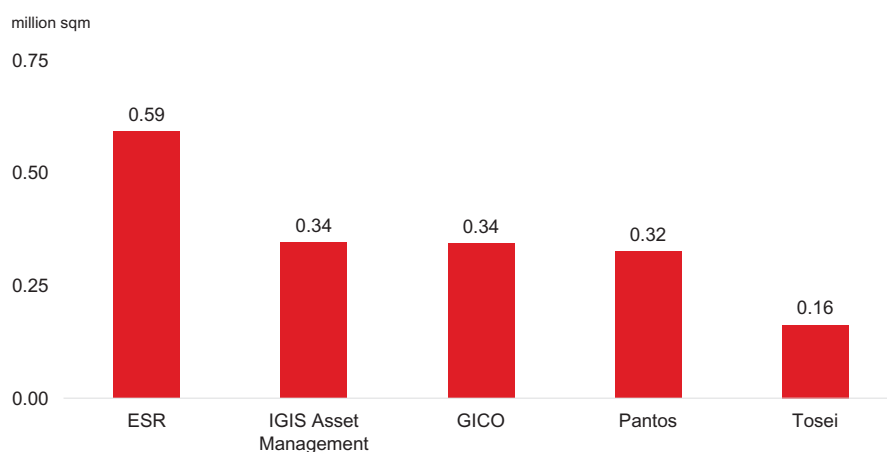
Source: JLL.

There are a number of regional and domestic owners, managers and developers of logistics real estate in Seoul. ESR subsidiary, Kendall Square, is the largest owner of logistics stock (by floor area) in Seoul, owning and managing around 593,300 sq.m of logistics space. Kendall Square also has the largest logistics development pipeline (see Figure 40 and 41)⁷⁸.

⁷⁸ See chart notes under Figure 40 and Figure 41.

Figure 40: Key logistics players in Korea: ranked by stock owned and managed, 2Q19

Source: ESR data based on company data as at 2Q19; other companies' data are JLL estimates based on a combination of public sources, company reports, site visits, industry contacts, 2Q18. Note: 1) Figures are based on Seoul Capital Area's modern logistics space available for lease and calculated by current ownership, 2) These are JLL estimates, and as such, the data may not necessarily match with internal data maintained by the companies mentioned in the chart.

Figure 41: Key logistics players in Korea: ranked by supply pipeline, 2019-2020

Source: ESR data based on company data as at 2Q19; other companies' data are JLL estimates based on a combination of public sources, company reports, site visits, industry contacts, 2Q18.

Note: 1) Figures are based on Seoul Capital Area's modern logistics space available for lease and calculated by current ownership, 2) Pipeline for ESR includes three projects which were not tracked in JLL's supply pipeline but provided by ESR, 3) These are JLL estimates, and as such, the data may not necessarily match with internal data maintained by the companies mentioned in the chart.

i. Key tenants

Demand remains strong in the South Korean market, driven by steady economic growth. Korean e-commerce operators such as 11street, G-Market, and TMON have emerged as key anchor tenants for major logistics centers in Korea. In order to streamline their supply chains, many of these players directly lease warehouses to store merchandise and manage inventory. Demand is also coming from companies that have historically preferred to own their warehouses for captive use. In order to manage growing online order volumes, these companies are also actively seeking leasable space to grow. For example, Coupang, the largest online retailer in Korea, purchased a logistics facility in Icheon in 2015 and completed another facility in Incheon in 2016⁷⁹. They are also reported to be

⁷⁹ Unless otherwise stated, all data on this page are from JLL, 2Q18

looking for logistics facilities across the Seoul Metropolitan Area (Gonjiam Logistics Center and Dongsan Logistics Center), in order to keep pace with their expansion strategy.

In the medium term, online consumption growth is expected to continue to drive demand in the logistics market. An increasing number of Korean consumers have started to purchase fresh produce and processed foods from online shopping malls. Many e-commerce businesses have expanded their product categories to cater for these requirements.

3PL service providers are another key source of demand. 3PL service providers that need to achieve economies of scale typically need to occupy large-scale warehouse facilities. As a result, 3PL service providers have become one of the largest sources of demand for modern logistics space in recent years. Leading domestic 3PL service providers such as CJ Logistics and Lotte Logistics have recently leased space in Jeongahn Logistics Center and Incheon Deokpyung Logistics Center, respectively. International 3PL service providers such as Pan Asia are also active and Li & Fung leased space in Logiport Icheon.

ii. Modern logistics space

Most logistics stock in South Korea is concentrated in the Seoul Metropolitan Area. Around 28% of facilities in the Seoul Metropolitan Area can be considered modern⁸⁰.

iii. Government policies

In order to boost 3PL utilization, the Korean government has introduced a tax incentive program for freight owners⁸¹. This has the potential to reduce corporate tax liability for freight owners if they were to outsource their logistics operations to 3PL service providers. The government is also promoting the construction of large planned logistics complexes. This is being done to prevent developers from building standalone logistics centers haphazardly. The program's key incentives include the exemption of acquisition and property taxes for the first five years.

Further, the government is focusing on creating "inner city logistics centers". These centers, dubbed "e-Logis Towns", are being developed by renovating old, obsolete truck terminals. Due to their proximity to Seoul's city center, these terminals are suitable for B2C delivery. The government has also prepared a 2016-2025 masterplan for the national logistics industry. This masterplan outlines initiatives that will help drive growth in the sector. Key measures include deregulating the commercialization of new logistics technologies, promoting R&D for real time tracking, encouraging logistics firms to expand overseas, and constructing large-scale logistics complexes near Incheon Airport to handle air cargo volumes.

iv. Greater Seoul overview

Historically, freight owners and 3PL service providers have preferred to build small-scale logistics facilities, often at secondary locations and on an ad-hoc basis. However, more logistics developers are now focusing on large-scale modern logistics projects. This has boosted the supply of overall logistics space in Seoul.

⁸⁰ JLL estimates based on a combination of information from public sources, company reports, site visits, and industry contacts, 2Q18. The broad criteria for space to be considered modern is detailed in section 3.2.

⁸¹ Special tax treatment control law (article 104-14).

Although a considerable amount of modern space has entered the market, absorption has also been strong. New logistics facilities takes around three to six months to lease after completion. JLL estimates that the average occupancy rate for modern and non-modern warehousing space in Greater Seoul currently stands at close to 95% and is expected to remain high going forward.

Rents in Seoul and nearby districts continue to outperform the broader market, owing to the size and affluence of the consumer base (which in turn attracts key tenants), its superior accessibility to the city center, and popularity with freight owners. This is marginally offset by lower growth in the South East submarket.

Despite over 5.9 million sq.m of new logistic space that is scheduled to be completed within the Seoul Metropolitan Area between 2018 and 2020⁸², the overall occupancy rate is forecast to remain relatively stable given sustained demand, especially for modern logistics facilities. Considering these factors, we expect that logistics rents for modern stock in Greater Seoul will continue to grow at a moderate pace over the 2018-2020 period.

Market yields on prime logistics properties have been trending downward as competition for assets among investors intensifies. Recent transaction evidence suggests that the average gross rental yield stands at about 6%⁸³. This represents a compression of over three percent since 2011.

4.4 Singapore

i. Singapore overview

Occupier demand in Singapore moderated in 1H19 against the backdrop of a slowing economy. However, the 3PL sector remains a key pillar in driving leasing demand. Steady physical space absorption amid slowing new logistics space completions resulted in vacancy trending down to 10.7% in 2Q19, around 70bps lower than in the same period 12 months ago.

The 3PL industry has been a big beneficiary of the rise of e-commerce and the rapid take-up and advancement of technology of online retail platforms. Expectations are for this growth to continue as consumer adoption rates for retailers' e-commerce platforms increase and as technology and automation advances drive logistics expansion.

Table 9: Market snapshot, 2Q19

Total logistic space (million)*	Major owners / developers	Key market demand drivers
10.8	Mapletree, Ascendas, ESR	3PL service providers, manufacturing, e-commerce

Source: JLL, 2Q19.

*Logistics market, NLA, sq.m.

ii. Major owners and developers

Across all sectors and over the last 15 years, Singapore has established itself as APAC'S de-facto cross-border REIT hub. The market has grown considerably over this period, with the REIT

⁸² JLL estimates, 2Q18

⁸³ In the calculation of the market yield, the transaction costs of purchasing or leasing of space is not included. The yield therefore reflects the returns to investment before transaction costs, assuming full occupancy and that the current income being paid is the market effective rent.

market in Singapore the third largest (by market cap) in the APAC region. Subsequently, the proportional size of the REIT sector to the total real estate market is relatively high, ahead of Australia, Malaysia, and Japan.

Favorable fund structures, efficient tax regimes, and critical mass have all supported relatively rapid growth in the Singaporean REIT sector. A number of IPOs over the past 12-24 months—Keppel KBS US REIT, Sasseur REIT, and Cromwell European REIT—highlight the strong momentum in the sector.

In terms of industrial REITs, this subsector is undergoing a period of consolidation. ESR, for example, took over Cambridge REIT in January 2017, and merged with VIVA REIT in October 2018. The ESR-VIVA REIT merger is the first successful REIT merger in the Singapore REIT market. ESR has also since become the largest unit holder in Sabana REIT, boosting its holding to 21.4% in May 2019. In a separate transaction, ESR has also taken a majority stake in Sabana Investment Partners (SIP), an investment holding company which owns Sabana Property Management and Sabana Real Estate Investment Management. The combined ESR and VIVA platform has a total of 56 assets in Singapore, making it the third largest REIT in Singapore on this basis, and behind the government affiliated Ascendas REIT and Mapletree Industrial Trust (see table 10)⁸⁴. Sabana REIT currently holds 19 assets in Singapore.

Table 10: REIT overview

REIT	Singapore assets	Total asset value (SGD, billions)	Market cap (SGD billions)
Ascendas REIT	78	11.1	9.4
Mapletree Industrial Trust	87	4.6	4.6
ESR REIT*	56	3.3	1.7
Mapletree Logistics Trust	52	8.1	5.6
AIMS AMP Capital Industrial REIT	25	1.5	1.0
Sabana REIT^^	19	1.0	0.5
Soilbuild REIT	11	1.3	0.6
Cache Logistics Trust	10	1.4	0.8
Frasers Logistics and Industrial Trust**	—	3.1	2.7
EC World REIT^	—	1.5	0.6

Source: Companies' financial reports and presentations, 2Q19. Market cap as at August 19, 2019.

*Combined with Viva Industrial Trust.

** Frasers Logistics and Ind Trust assets principally located in Australia.

^EC World REIT assets principally located in China.

^^Sabana REIT manager acquired by ESR.

4.5 Australia

i. Australia overview

Occupier demand remained strong nationwide⁸⁵. Demand over 2019 has remained strong with industrial floor space take-up levels on track to reach similar levels recorded over the past four years – that is, above the 10-year annual average of 2.1 million sqm. National take-up levels have so far reached 1.2 million sqm over 2019.

⁸⁴ Companies' financial reports and presentations, 4Q18.

⁸⁵ JLL considers Sydney, Melbourne, Brisbane, Perth, Adelaide, and Canberra as Australia's tier 1 cities

Although the concentration of occupier activity has historically been in Sydney, the share of demand over the past six months has shifted toward the Melbourne market. Industrial take-up within Melbourne over 2019YTD has been the highest in country, representing just over 40% (or 520,000 sqm) of total national take-up levels. Melbourne's West precinct has recorded the greatest amount of activity in the pre-lease market over this period, and mainly from occupiers within the transport, warehousing and retail trade sectors. Demand has also improved in Brisbane and Perth.

Over 2019 the share of take-up from the retail trade sector has risen compared to 2018, from 20% to currently 27% (or 328,000 sqm). This is attributable to the food retailing sub-sector (i.e. Kaufland and Woolworths). There have been 13 leases recorded from the retail trade sector over 2019YTD, and most of these deals have been in Melbourne (West precinct).

The demand-supply dynamic is relatively balanced nationally, translating to a relatively robust rental growth rate. On a y-o-y basis, national prime weighted⁸⁶ rents grew by 3.7%, supported by quarterly 2Q19 growth of 1.6%. However, there are significant differences across markets and precincts. For instance, average rents in South Sydney grew by 5.0% y-o-y, 1.9% in Brisbane Southern, but fell by 4.8% in Perth East.

Nonetheless, national rents are expected to continue to rise moderately over the near/medium term. Convergence of rental growth rates is expected as more uniform economic growth emerges. Note that logistics facilities in Australia tracked by JLL are typically considered modern⁸⁷.

Table 11: Market snapshot, 2Q19

Stock (million)*	Major owners / developers	Key market demand drivers
Total: 40.2	Goodman, Charter Hall, Logos	Transportation and storage, retail / wholesale trade, manufacturing

Source: JLL, 2Q19.

*GLA, sq.m.

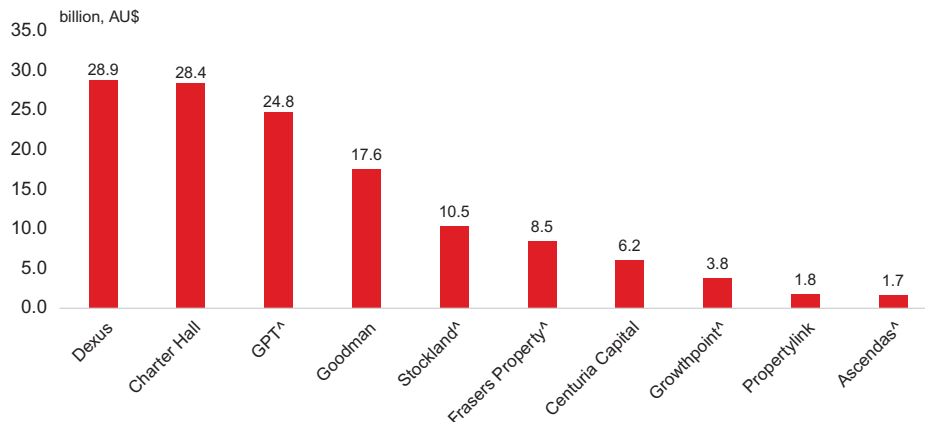
ii. Major owners and developers

Australia's logistics stock is primarily held by a core group of owners, the largest of which have actively expanded assets under management (AUM) through the development of major master planned industrial and business estates. Once completed, the assets are typically retained by the owner/developer in listed trusts and wholesale funds.

Most of the domestic institutions with substantial logistics holdings have sought to increase their exposure to the sector in recent years. A number of major offshore funds and smaller boutique funds are looking to grow their presence in the market. While the sector is dominated by a core group of owners/developers, participation in specific local markets is due to the presence of a large number of smaller operators.

⁸⁶ Weighted by Gross State Product.

⁸⁷ Logistics facilities in Australia generally refers to modern space. Different countries use different methodologies and definitions to capture total stock, and modern and non-modern stock. As such total stock, modern and non-modern stock between countries may not be directly comparable. The classification of modern and non-modern warehousing can be found in section 3.2.

Figure 42: Australian AUM/total asset value of select REITs

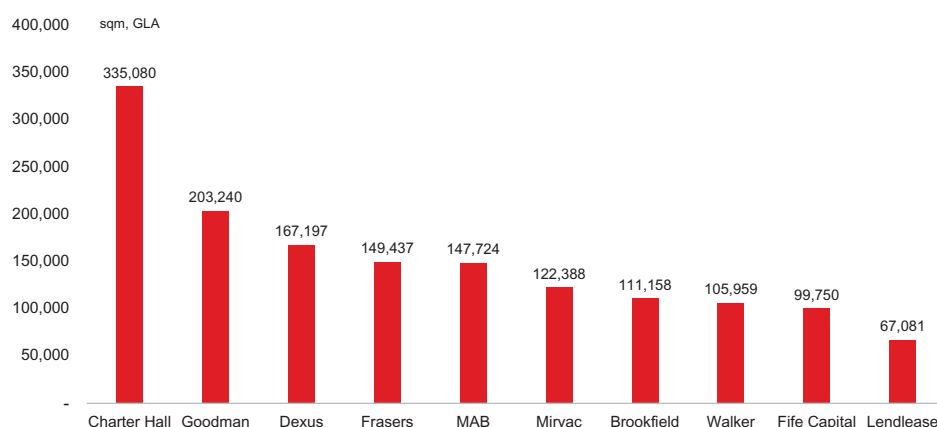
Source: JLL estimates based on company reports and presentations. Charter Hall and Stockland as at 4Q18, the others either as at 1Q19 or 2Q19.

Note: 1) Select REITs with industrial exposure (industrial AUM or industrial asset value) > AU\$ 1.0 billion

[^] Value of total Australian assets (except for Stockland which includes commercial properties only)

Goodman is the largest logistics owner and developer among the listed REITs. Most of the other major top 10 REITs (by market cap) are diversified across different sectors. Goodman's key A-REIT competitors include: Charter Hall, Stockland, Dexus, Mirvac, GPT, Centuria, and Propertylink. Most of these REITs have broadly diversified portfolios across the office, logistics, retail, and residential sectors. While these are domestic REITs, the share register of many of these REITs show significant foreign ownership. There have also been a number of public to private transactions, including ESR's acquisition of Propertylink in November 2018. Propertylink has now been delisted from the Australian stock exchange.

A number of offshore REITs and private equity and developer companies also have significant exposure to the Australian logistics sector. These companies form a significant part of the competitive landscape and include Frasers, Cache Logistics, Ascendas, Mapletree, Blackstone, LOGOS Property, and Altis, among others.

Figure 43: Logistics development pipeline of major Australian developers, 2Q19-2020

Source: JLL estimates based on a combination of information from public sources, company reports, site visits, and industry contacts, 2Q19.

Note: 1) Based on JLL's market coverage of Sydney, Melbourne, Brisbane, Adelaide, and Perth, and involved as a developer, 2) These are JLL estimates, and as such, the data may not necessarily match with internal data maintained by the companies mentioned in the chart,

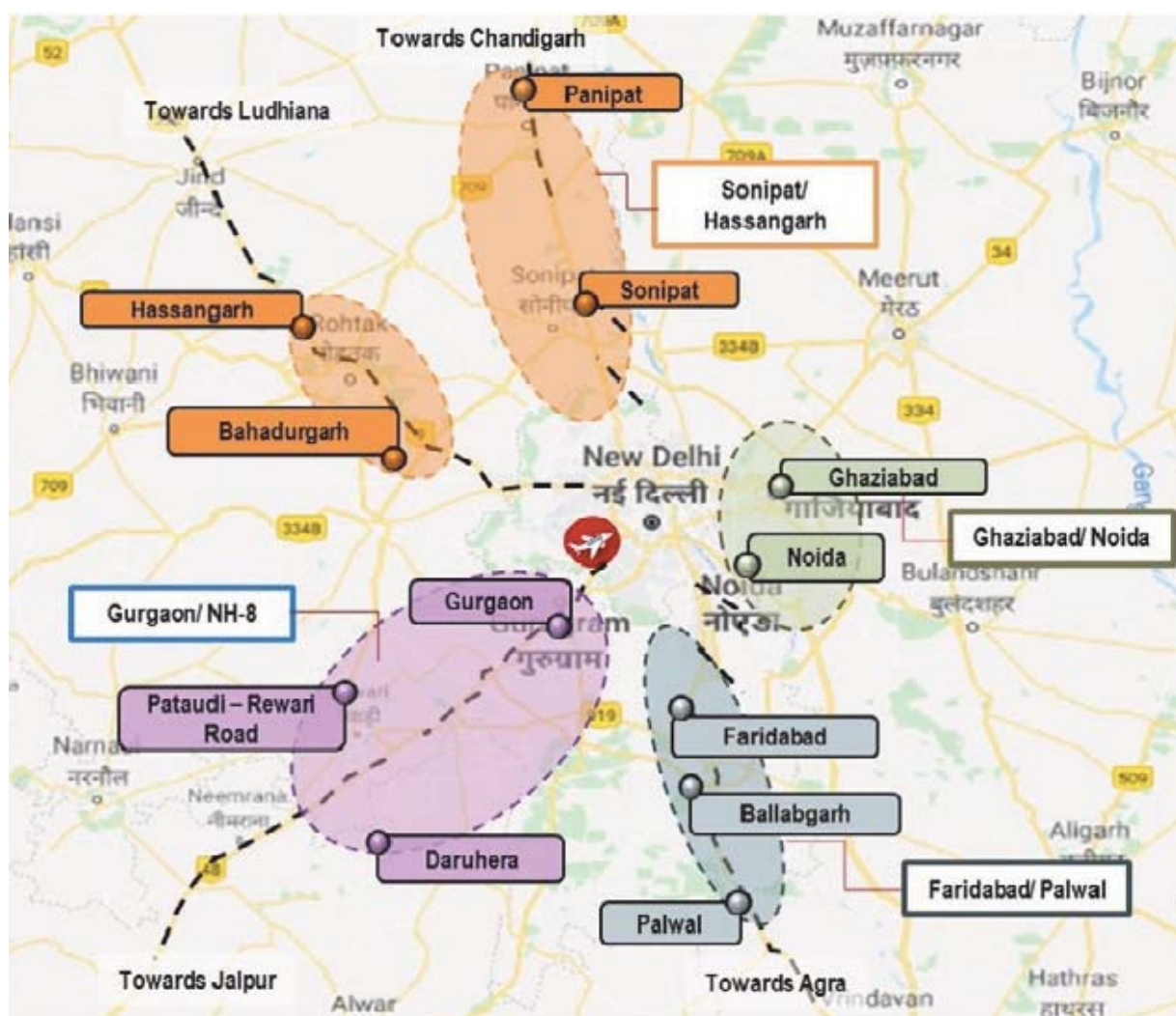
3) ESR acquired the business of Commercial and Industrial Property (CIP) from Charter Hall in 3Q18. CIP was responsible for the development of substantial component of Charter Hall logistics businesses in Australia.

4.6 India

i. India overview

Demand levels remained upbeat across both in Delhi and Mumbai. Demand in Delhi significantly increased in 1H19 compared to the same period in 2018, with Gurgaon, and Sonipat taking the lead, having recorded significantly stronger demand. In the next largest market of Mumbai, occupier demand was strong, mostly driven by elevated demand in Bhiwandi.

Figure 44: NCR Delhi map



Source: JLL.

The logistics sector in India is undergoing rapid change. The expanding 3PL sector, last mile delivery, and the integration of technology and automation into warehousing and logistics space have created an emerging source of occupier demand and helped support leasing volumes and take-up rates. In the first half of 2019, total absorption reached 435,990 sqm (4.69 million sq ft) in NCR Delhi⁸⁸, up over 41% from 307,321 sqm (3.31 million sq ft) in 1H18. This is equivalent to around 26% of total India net absorption (1.7 mn sqm or 18.32 million sq ft), with rents in modern logistics facilities averaging between a range of INR 182-226 per sqm per month (USD 2.5-3.1 per sqm per month / INR 17-21 per sq ft per month). Over the same period, Mumbai recorded absorption of 352,382 sqm (3.79 million sq ft). Average modern rents are moderately higher in Mumbai, ranging between INR 183-236 per sqm per month (USD 2.5-3.2 per sqm per month / INR 17-22 per sq ft per month).

⁸⁸ Unless otherwise stated, all data on this page are JLL estimates, 2Q19

Table 12: Market snapshot, 2Q19

<u>Total logistics space (million)*</u>	<u>Major owners / developers</u>	<u>Key market demand drivers</u>
Delhi—4.0 (43.2 sq ft)	IndoSpace, Allcargo ESR,	3PL service providers,
Mumbai—3.5 (37.1 sq ft)	Embassy	e-commerce, Retailers

Source: JLL, 2Q19.

*Estimated Grade A and Grade B warehouse market across JLL's coverage areas, GFA, sq.m.

ii. Development potential of the logistics sector

The prospect for future growth in the logistics sector is positive. Robust economic growth, coupled with a supportive demographic profile can help sustain industry growth. Combined with accommodative government policies and high investment into transport infrastructure, a solid framework exists for the sector to continue its growth trajectory.

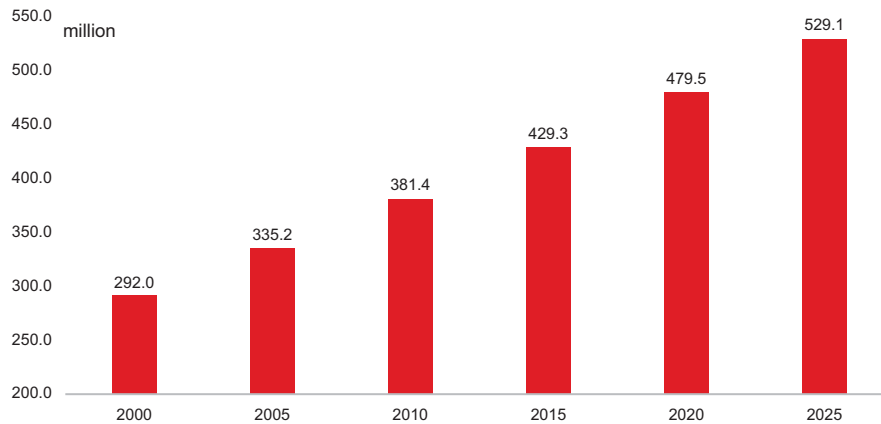
The economy and demographics

- **Strong economic fundamentals:** The Indian economic growth rate is anticipated to rise at an average pace of 6.6% per annum between 2019 and 2028⁸⁹. The political environment is also relatively stable, with economic policies aimed at targeting sustained growth and development.
- **Positive demographic profile:** Along with a large population, the relatively young demographic profile of India may also play a critical role in the development of the logistics sector. The median age in India is approximately 26, which is relatively low on a global scale. This is reflected in falling dependency ratio estimates, a key component for sustained economic growth. Positive demographics may also mean positive implications for consumption growth, especially when coupled with the growth in the middle class population.
- **Rapid urbanization:** Between 2015 and 2025, the urban population in India is expected to increase by 99.8 million people. This is nearly four times the population of Australia. The impact of this generational shift and the expanding middle class may translate to positive flow-on effects on the growth and scale of the logistics sector. Between 2015 and 2022, India's middle class is expected to increase by 380 million people, ahead of China (350 million), and the rest of Asia (210 million)⁹⁰.
- **E-commerce growth:** India's e-commerce industry (by revenue) is expected to grow from US\$ 39 billion in 2017 to US\$150 billion by 2022. This growth will be supported by the rising number of online shoppers, from 120 million in 2018 to an estimated 220 million by 2025⁹¹.

⁸⁹ Unless otherwise stated, all data on this page are from Oxford Economics, October 2018.

⁹⁰ The Unprecedented Expansion of the Global Middle Class – An Update, February 2017 (The Brookings Institution).

⁹¹ India Brand Equity Foundation (<https://www.ibef.org/industry/ecommerce-presentation>).

Figure 45: Indian urban population

Source: Oxford Economics, August 2019.

Public policy

Growth in the logistics sector in recent years has been driven in part by supportive government policies. There are several key government initiatives that have boosted growth in the sector.

- **Logistics granted infrastructure status:** As part of the government's push to bolster the infrastructure development in the country, the government granted infrastructure status to the logistics sector, with a key goal to incentivize investment into logistics. A key benefit for owners/developers is access to funding at more competitive rates and the ability to access funding from the External Commercial Borrowings window. Additionally, the sector is now able to access long tenure funds from insurance and pension funds.
- **Establishment of a dedicated logistics division:** The Department of Commerce created a new logistics division in July 2017. The primary mandate of this newly created division is to develop and provide action plans for the integrated development of the logistics sector in India by 1) improving existing procedures, 2) introducing new technology, and 3) identifying process/procedural bottlenecks.
- **Goods and Services Tax introduction:** The government introduced the Goods and Services Tax in 2017. There are many positive impacts of this on the logistics sector, including: organizations will now be able to explore a different distribution model (hub and spoke), it will shift the focus to more efficient warehousing, and it will reduce location-based tax compliance issues (fewer checkpoints), which should improve transit times.

Infrastructure

Transport infrastructure plays a vital role in the logistics sector. A key consideration for most occupiers is access to major infrastructure nodes and the ease of movement of goods to and from their facility. Public expenditure on infrastructure has been high. Between 2006 and 2015, India's investment in infrastructure grew at a CAGR of 17%, compared to 7-8% across the rest of Asia⁹². Key investments include:

- **Road:** The Ministry of Road Transport and Highways declared 2018-19 as the “Year of Construction”. Overall, more than about 61,300 km length of road projects, costing are in progress. In the first nine months of FY 2018-19, 5,759 km has been completed⁹³.
- **Rail:** The Ministry of Railways is developing a Western Dedicated Freight Corridor (WDFC) and an Eastern Dedicated Freight Corridor (EDFC) to decrease freight times. The WDFC is expected to span 1,500 kilometers, while the EDFC will span around 1,900 kilometers. Expected completion for both projects is late 2019.
- **Aviation:** Domestic passenger traffic during the January-June 2019 period grew by 3.2% relative to the same period last year⁹⁴. Higher passenger numbers is due in part to the implementations of the National Civil Aviation Policy (2016), which incorporated a number of objectives, including that India would become the third largest civil aviation market by 2022, up from ninth currently; cargo volumes should increase four-fold to around 10 million tonnes by 2027, and that the Airport Authority of India would invest around INR 13,000 for infrastructure projects in 13 regional airports.

iii. Major owners and developers

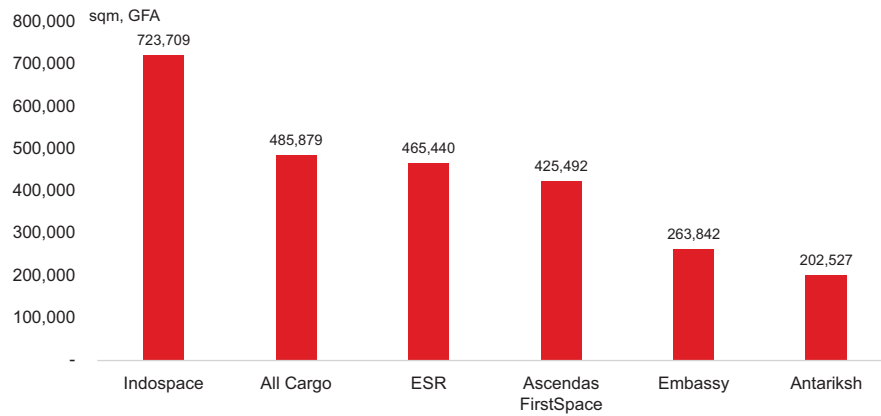
The logistics market in India is highly fragmented. The market remains in the growth phase with a number of active developers, the majority of whom are domestic focused. Across the 10 developers with the largest supply pipelines in NCR Delhi and Mumbai, only ESR and IndoSpace (through investments by GLP) have a multi-country presence. Figure 47 illustrates the development pipelines of the major developers and operators in NCR Delhi and Mumbai. After IndoSpace, AllCargo and Embassy, ESR has the fourth largest logistics development pipeline (see Figure 47, and graph notes).

⁹² Manufacturing and Logistics: On a Roller Coaster Ride! (JLL, January 2017).

⁹³ <http://pib.gov.in/newsite/PrintRelease.aspx?relid=186932>.

⁹⁴ <http://dgca.nic.in/reports/Traffic-ind.htm> (June 2019 report)

Figure 46: Total logistics development pipeline of major Indian developers in NCR Delhi and Mumbai, from 2Q19 onwards



Source: JLL estimates based on a combination of information from public sources, company reports, site visits, and industry contacts, 2Q19.
 Note: 1) Based on JLL's coverage areas of NCR Delhi and Mumbai. Development pipeline includes all known projects from 2Q19 onwards. This differs from Figure 16, which for greater consistency with the other markets, incorporates India's development pipeline for the period between 4Q18-2020, 2). These are JLL estimates, and as such, the data may not necessarily match with internal data maintained by the companies mentioned in the chart.

This Section sets out a summary of the major laws, regulations, rules and policies that govern our business operations in the PRC, Japan, South Korea, Singapore, Australia and India.

A. PRC LAWS AND REGULATIONS

Set below is the summary of the PRC laws and regulations in relation to the business and operation of our Company.

1. ESTABLISHMENT OF FOREIGN-INVESTED ENTERPRISES

The establishment, operation and management of companies in China is governed by Company Law of the PRC (《中華人民共和國公司法》) (the “**PRC Company Law**”), promulgated by the Standing Committee of National People’s Congress (“**NPC**”) on December 29, 1993 and last amended on October 26, 2018.

As our Company is a foreign investor under PRC law, all of the PRC Subsidiaries that are wholly foreign owned enterprises (“**WFOE**”) and/or Sino-foreign equity joint ventures (“**EJV**”) are regulated by laws and regulations governing foreign investment, including the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》) (promulgated by the Standing Committee of the NPC on April 12, 1986 and last amended on September 3, 2016), and the Equity Joint Venture Law of the PRC (《中華人民共和國中外合資經營企業法》) (promulgated by the Standing Committee of the NPC on July 8, 1979 and last amended on September 3, 2016).

Establishment of a foreign-invested enterprise with business that does not fall within Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2018) (《外商投資准入特別管理措施(負面清單)(2019年版)》) (the “**Measures**”, the list provided therein, the “**Negative List**”) promulgated by MOFCOM and the National Development and Reform Commission (“**NDRC**”) on June 30, 2019 and effective as of July 30, 2019, is required to complete filing formalities with MOFCOM in accordance with the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) (“**Circular 3**”) issued by the MOFCOM on October 8, 2016 and amended on June 29, 2018. Building and leasing warehouses and affiliated facilities does not fall within the Negative List.

2. PRC MERGER AND ACQUISITION

Pursuant to Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) which was promulgated by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, SAT, the State Administration for Industry and Commerce (中華人民共和國國家工商行政管理總局) (“**SAIC**”), China Securities Regulatory Commission (“**CSRC**”) and the State Administration of Foreign Exchange (中華人民共和國國家外匯管理局) (“**SAFE**”) on August 8, 2006, and subsequently amended by the MOFCOM on June 22, 2009, provides that the scenarios qualify as an acquisition of a domestic enterprise by a foreign investor.

According to the Circular 3, where a non-foreign-invested enterprise changes into a foreign-invested enterprise due to acquisition, consolidation by a merger or otherwise, which is subject to filing as stipulated in the Measures, it is required to complete the filing formalities with MOFCOM.

3. LAND USE RIGHTS FOR REAL ESTATE DEVELOPMENT

Although all land in the PRC is either state-owned or collectively-owned, individuals and entities may obtain land use rights and hold such land use rights for development purposes in different ways.

(i) *Grant and transfer of land use right*

On April 12, 1988, the NPC passed an amendment to the Constitution of the PRC (《中華人民共和國憲法》), which allowed the transfer of land use rights in accordance with PRC law. On December 29, 1988, the Standing Committee of the NPC also amended the Land Administration Law of the PRC (《中華人民共和國土地管理法》) to permit the grant and transfer of land use rights in accordance with PRC law for value. On May 19, 1990, the State Council enacted the Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to Use State-owned Land in Urban Areas (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》). These regulations, generally referred to as the Urban Land Regulations, formalized the process of the grant and transfer of land use rights for value.

(ii) *Ways of land use right grant*

As of July 1, 2002, the grant of land use rights by way of competitive processes is governed by the Regulations on the Grant of Use Right of State-Owned Land by Tender, Auction or Listing-for-Bidding (《招標拍賣掛牌出讓國有土地使用權規定》), issued by the Ministry of Land and Resources of the PRC (the “MLR”) on May 9, 2002 and revised as of September 28, 2007 with the Regulations on Granting State-Owned Construction Land Use Right through Bidding, Auction and Listing (《招標拍賣掛牌出讓國有建設用地使用權規定》) (the “**Land Grant Regulations**”), which became effective on November 1, 2007. The Land Grant Regulations specifically provide that land to be used for industrial (including warehouse land, but excluding mining land), commercial, tourism, entertainment or commodity residential purposes, or where there are two or more intended users for the certain piece of land, shall be granted by way of competitive processes (i.e. tender, auction or listing organized and administered by the local government). A number of measures are provided by the Land Grant Regulations to ensure such grant of land use rights is conducted openly and fairly.

On June 11, 2003, the MLR promulgated the Regulations on Grant of State-Owned Land Use Rights by Agreement (《協議出讓國有土地使用權規定》), which became effective on August 1, 2003, to regulate the granting of land use rights by agreement when there is only one applicant interested in the land and the designated uses of which are other than for business purposes including commerce, tourism, entertainment or commodity housing, etc.

(iii) *Land use right transfer from current land users*

In addition to a direct grant from the government, an investor may also acquire land use rights from land users that have already obtained the land use rights by entering into a transfer contract with such land users. For real estate development projects, the Law on the Administration of Urban Real Estate of the PRC (《中華人民共和國城市房地產管理法》) (the “**Urban Real Estate Law**”), promulgated by the Standing Committee of the NPC on July 5, 1994 and last amended on August 27, 2009, requires that the following conditions must be fulfilled before land use right transfer can take place: (1) full payment of land use right grant premium and the obtaining of land use right certificate; and (2) investment or development has been made in accordance with the grant contract. Where the

investment or development involves a building construction project, at least 25% of the total amount of investment or development must have been made or completed. All rights and obligations of the current holder under a land grant contract will be transferred contemporaneously to the assignee of the land use rights.

4. DEVELOPMENT OF WAREHOUSING PROJECTS

Approval or filing of the NDRC or its branches shall be required for foreign investment projects, according to the Administrative Measures for Approval and Record-filing of Foreign Investment Projects (《外商投資項目核准和備案管理辦法》), promulgated by the NDRC on May 17, 2014 and was amended on December 27, 2014. The investment projects specified in the Notice of the State Council on Promulgating the Catalog of Investment Projects Approved by the Government (2016 Version) (the “**Catalog**”) (《國務院關於發佈政府核准的投資項目目錄(2016年本)的通知》), which was promulgated and effective on December 12, 2016, shall be approved by the NDRC or other competent authorities and the investment projects other than those specified in the Catalog shall be filed with the competent investment department of the local governments.

(i) *Commencement of warehousing development projects*

According to the Urban Real Estate Law, those who have obtained the right of land use by the way of grant for real estate development must develop the land in accordance with the land use and within the construction period as prescribed in the grant contract. When the land user fails to commence development within one year of the date prescribed in the grant contract for starting the development, an idle land fee of no more than 20% of the land grant premium may be collected and when the land user fails to commence development two years after this date, the right to use the land may be confiscated without any compensation, except where the delays are caused by force majeure, the activities of government, or the delay in the necessary preliminary work for starting the development.

Pursuant to the Measures on Disposal of Idle Land (《閒置土地處置辦法》), which was promulgated on April 28, 1999 by the MLR and revised on June 1, 2012, land can be defined as idle land under any of the following circumstances: (a) development and construction of the state-owned land is not commenced after one year of the prescribed time in the land use right grant contract or allocation decision; or (b) the development and construction of the state-owned land has been commenced but the area of the development and construction that has been commenced is less than one-third of the total area to be developed and constructed or the invested amount is less than 25% of the total amount of investment, and the development and construction have been continuously suspended for one year or more without an approval.

According to the new rules, “commencement of development” means, subject to the issuance of the construction permit, the completion of the excavation of foundation for projects requiring foundation pit, the driving of all piles for projects using pile foundation, or the completion of one-third of the foundation for other projects. In addition, the new rules require that the land premium, relevant taxes and governmental charges shall be excluded from the invested amount and the total investment amount when calculating whether the investment commitment for the land has been satisfied. Further, according to the new rules, where land remains idle for at least one year but less than two years, the idle land fee shall be 20% of the land premium, as opposed to “up to 20%” under the previous rules promulgated in 1999. In addition, a holder of a land use right cannot count the idle land fee in its production costs.

The policy was reinforced in the “Notice on Enhancing the Economical and Intensive Use of Land” (國務院關於促進節約集約用地的通知) promulgated by the State Council on January 3, 2008 which states, among other things, that: (i) policies in relation to the forfeiture of land use rights without compensation for land which has remained “idle” for two years or more shall be strictly implemented; (ii) if any land remains “idle” for one year or more but less than two years, an “idle” land fee of 20% of the relevant land premium will be levied; and (iii) financial institutions are required to exercise caution when approving financing for any property owner who, after one year from the commencement date stipulated in the land grant contract, fails to complete at least one-third of the development of the land or provide at least 25% of the total funds for investment in the project. Some of our land grant contracts stipulate a minimum amount we have to invest in the relevant project, which may exceed the amount we deem commercially reasonable for the type of business we are engaging in. Furthermore, Ministry of Land and Resources of the PRC issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (關於嚴格建設用地管理促進批而未用土地利用的通知) on August 11, 2009, which reiterates the rules regarding idle land.

(a) *Planning of warehousing projects*

Under the Urban and Rural Planning Law of the PRC (the “**Urban and Rural Planning Law**”) (《中華人民共和國城鄉規劃法》) issued on October 28, 2007 and last amended on April 23, 2019 and the Regulations on Planning Administration regarding Granting and Transfer of State-Owned Land Use Right in Urban Area (《城市國有土地使用權出讓轉讓規劃管理辦法》) promulgated by the Ministry of Construction on December 4, 1992 and amended on January 26, 2011, a developer shall apply for a License for the Planning of Construction Land (《建設用地規劃許可證》) from the municipal planning authority and then conduct all necessary planning and design works in accordance with relevant planning and design requirements. A planning and design proposal in respect of the project should be submitted to the municipal planning authority in compliance with the requirements and procedures under the Urban and Rural Planning Law and a License for the Planning of Construction Projects (《建設工程規劃許可證》) from the municipal planning authority should be obtained by the developer.

(b) *Construction Work Commencement Permit*

The real estate developer shall apply for a Construction Work Commencement Permit (《建築工程施工許可證》) from the relevant construction authority in accordance with the Regulations on Administration Regarding Permission for Commencement of Construction Works (《建築工程施工許可管理辦法》) promulgated by the Ministry of Construction on October 15, 1999 and last amended on September 28, 2018.

(ii) *Acceptance and examination upon completion of warehousing projects*

Pursuant to the Development Regulations and the Administrative Measures for the Registration Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated by the Ministry of Construction on April 4, 2000 and amended on October 19, 2009 by the Ministry of Housing and Urban-Rural Development of the PRC (“**MOHURD**”) and the Provisions on Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築和市政基礎設施工程竣工驗收規定》) promulgated and implemented by the MOHURD on December 2, 2013, upon the completion of real estate development project, the developer shall submit an application to the competent department of real estate development of the local government at or above the county level, where the project is

located, for examination upon completion of the building and for filing purposes, and to obtain the Filing Form for Acceptance and Examination upon Completion of Construction Project. A real estate project shall not be delivered before passing this acceptance examination.

(iii) *Lease of properties*

Both the Urban Land Regulations and the Urban Real Estate Law permit the leasing of granted land use rights and of the buildings or houses erected on the land. On December 1, 2010, the MOHURD promulgated the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》) (the “**New Lease Measures**”), which became effective on February 1, 2011. Pursuant to the New Lease Measures, parties thereto shall register and file with the local property administration authority within thirty days after entering into the lease contract. Non-compliance with such registration and filing requirements shall be subject to fines up to RMB10,000. According to the Urban Real Estate Law, rental income derived from any building situated on allocated land where the land use rights have been obtained through allocation, shall be turned over to the State.

Under the Contract Law of the PRC (《中華人民共和國合同法》) promulgated by the NPC on March 15, 1999 and effective as of October 1, 1999, the term of a leasing contract shall not exceed 20 years.

5. REAL ESTATE REGISTRATION

The Interim Regulations on Real Estate Registration (《不動產登記暫行條例》), promulgated by the State Council on November 24, 2014, became effective on March 1, 2015 and last amended on March 24, 2019, and its implementing rules provide that, among other things, the State implements a uniform real estate registration system.

6. INSURANCE OF REAL ESTATE PROJECTS

There are no nationwide mandatory requirements in the PRC laws, regulations and government rules requiring a real estate developer to maintain insurance for its real estate projects. According to the Construction Law of the People’s Republic of China (《中華人民共和國建築法》) promulgated by the Standing Committee of the NPC on November 1, 1997 and became effective on March 1, 1998 and last amended on April 23, 2019, construction enterprises shall maintain work-related injury insurance for employees and pay the insurance premium as required by PRC laws. Enterprises are encouraged to take out accident insurance and pay premiums for workers engaged in hazardous operations.

7. ENVIRONMENTAL PROTECTION

The laws and regulations governing the environmental requirements for real estate development in the PRC include the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Prevention and Control of Noise Pollution Law of the PRC (《中華人民共和國環境噪聲污染防治法》), the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), and the Administrative Regulations on Environmental Protection for Development Projects (《建設項目環境保護管理條例》). Pursuant to these laws and regulations, the construction enterprises shall obtain approval from or proceed filing procedure with the competent environmental protection authorities before the commencement of construction. For construction projects that have obtained approval from the competent environmental protection authorities, construction enterprises shall inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

8. FIRE PROTECTION

According to Fire Protection Law of the PRC (《中華人民共和國消防法》) and Provisions of Supervision and Management of Fire Protection Construction (《建設工程消防監督管理規定》), a real estate project shall get approval from or filing with relevant public security and fire protection authorities for fire protection design before the construction is started and subject to a fire protection as-built acceptance inspection.

9. CIVIL AIR DEFENSE PROPERTY

Pursuant to the Law on National Defense (《中華人民共和國國防法》) promulgated by the NPC on March 14, 1997, as amended on August 27, 2009, national defense assets are owned by the state. Pursuant to the Law on Civil Air Defense (《中華人民共和國人民防空法》) (the “**Civil Air Defense Law**”), promulgated by the Standing Committee of the NPC on October 29, 1996, as amended on August 27, 2009, civil air defense is an integral part of national defense. The Civil Air Defense Law encourages the public to invest in the construction of civil air defense property and investors in civil air defense are permitted to use, manage the civil air defense property in time of peace and profit therefrom without prejudice to their functions as air defense property.

10. FOREIGN CURRENCY EXCHANGE

Pursuant to the PRC Foreign Exchange Administrative Regulations (《中華人民共和國外匯管理條例》) promulgated by the State Council and last amended on August 5, 2008, the RMB is generally freely convertible for current account items, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of SAFE is obtained.

Pursuant to the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“**SAFE Circular No. 37**”), promulgated by SAFE and which became effective on July 4, 2014: (a) a PRC resident shall register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (“**Overseas SPV**”), that is directly established or controlled by the PRC resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (“**Circular 13**”), which was promulgated on February 13, 2015 and with effect from June 1, 2015, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment are directly reviewed and handled by banks in accordance with the Circular 13, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks.

11. DIVIDEND

The principal laws governing dividend distributions by our PRC Subsidiaries include the PRC Company Law. Dividend distribution by WFOEs and EJV s are further governed by the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》) and its Implementation Regulations (《中華人民共和國外資企業法實施細則》) promulgated by the State Council on December 12, 1990 and last revised on February 19, 2014, and/or the Equity Joint Venture Law of the PRC (《中華人民共和國中外合資經營企業法》) and the Implementation Regulations (《中華人民共和國中外合資經營企業法實施條例》) promulgated by the State Council on September 20, 1983 and last revised on March 2, 2019.

Under these laws and regulations, PRC companies, including WFOEs and EJV s, may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting principles. In addition, PRC companies, including domestic companies, WFOEs and EJV s are required to set aside each year at least 10% of their after-tax profit based on PRC accounting principles to their statutory general reserves funds until the cumulative amount of such reserve fund reaches 50% of their registered capital. These reserves are not distributable as cash dividends. Furthermore, EJV s and WFOEs in the PRC may also be required to set aside individual funds for employee welfare, bonuses and development, at the discretion of such PRC companies and as stipulated in their articles of association. These reserves or funds are not distributable as dividends.

12. STOCK OPTION PLAN

On December 25, 2006, the People's Bank of China promulgated the Administrative Measures for Individual Foreign Exchange (《個人外匯管理辦法》). The Implementation Rules of the Administrative Measures for Individual Foreign Exchange (《個人外匯管理辦法實施細則》) issued by SAFE on January 5, 2007 and amended on May 29, 2016, among other things, specify registration requirements for a PRC citizen's participation in the employee stock ownership plans or stock option plans of an overseas publicly-listed company. On February 15, 2012, SAFE promulgated Circular of the SAFE on Relevant Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in the Share Incentive Schemes of Overseas- Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (“**Share Incentive Schemes Circular 7**”).

Under the SAFE regulations, in particular, the Share Incentive Schemes Circular 7, all PRC residents who participate in an employee stock incentive plan or stock option plan of an overseas publicly-listed company are required, through the PRC subsidiary of the overseas publicly-listed company, to jointly entrust a PRC agent to handle foreign exchange registration with SAFE or its local counterpart and complete certain procedures relating to the share incentive schemes such as opening account and capital transfer. PRC residents include PRC nationals or foreign citizens having been consecutively residing in PRC for not less than one year, acting as directors, supervisors, senior management personnel or other employees of PRC companies affiliated with such offshore listed company. A PRC agent could be a PRC subsidiary of such overseas publicly-listed company participating in the share incentive scheme or another PRC institution qualified for asset trusteeship as designated by the PRC subsidiary and in accordance with PRC laws. The PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. The foreign exchange proceeds received by the PRC residents from sale of shares under share

incentive plans granted by the overseas publicly-listed company must be remitted to bank accounts in China opened by the PRC agents.

Further, a Notice Concerning Individual Income Tax on Earnings from Employee Stock Options (《關於個人股票期權所得徵收個人所得稅問題的通知》), jointly issued by the Ministry of Finance and SAT on March 31, 2005 and supplemented on September 30, 2006, provides that domestic companies that implement employee share option programs must file the employee share option plans and other relevant documents with local tax authorities having jurisdiction over the companies before implementing such plans, and must file share option exercise notices and other relevant documents with local tax authorities before exercise by their employees of any share options.

13. TAXES

(i) *PRC Deed Tax*

Under the Provisional Regulation on the Deed Tax of the PRC (《中華人民共和國契稅暫行條例》) promulgated by the State Council on July 7, 1997 and with effect from October 1, 1997 and amended on March 2, 2019, deed tax applies to entities and individuals that accept the transfer of land-use rights and the ownership of houses within the territory of the PRC.

(ii) *Stamp Duty*

Under the Interim Regulations on Stamp Duty of the PRC (《中華人民共和國印花稅暫行條例》) promulgated by the State Council on August 6, 1988, effective from October 1, 1988 and amended on January 8, 2011 for acceptance of property lease, cargo transportation, storage and custody or certificates with contract nature, the duty rate is 0.1%.

(iii) *Corporate Income Tax*

Pursuant to the EIT Law the income tax for both domestic and foreign-invested enterprises is at the same rate of 25%. Furthermore, resident enterprises, which refer to enterprises that are set up in accordance with the PRC law, or that are set up in accordance with the law of the foreign country (region) but with its actual administration institution in the PRC, shall pay enterprise income tax originating both within and outside the PRC. While non-resident enterprises that have set up institutions or premises in the PRC shall pay enterprise income tax in relation to the income originating from the PRC and obtained by their institutions or establishments, and the income incurred outside the PRC but there is an actual relationship with the institutions or establishments set up by such enterprises. Where non-resident enterprises that have not set up institutions or establishments in the PRC, or where institutions or establishments are set up but there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they shall pay enterprise income tax in relation to the income originating from the PRC.

According to the implementation rules of the EIT Law, if an enterprise incorporated outside the PRC has its “de facto management body” located within the PRC, such an enterprise may be recognized as a PRC tax resident enterprise and subject to enterprise income tax at the rate of 25%. According to the EIT Law, dividends received by a qualified PRC tax resident enterprise from another qualified PRC tax resident enterprises are exempted from enterprise income tax.

(iv) *Value-added Tax*

According to the Notice on All-out Launch of the Pilot Program of the Levying Value-added Tax in Lieu of Business Tax (《國家稅務總局關於全面推開營業稅改征增值稅試點有關稅收徵收管理事項的公告》) promulgated by the Ministry of Finance and the SAT on April 19, 2016, implemented on May 1, 2016 and last amended on June 15, 2018, the value-added tax rather than the business tax will be levied on the leasing and selling of the real estate, the transfer of land use right and the provision of service.

(v) *Urban Land-use Tax*

Pursuant to the Provisional Regulation Governing Land-Use Tax in Cities and Towns of the PRC (《中華人民共和國城鎮土地使用稅暫行條例》) enacted by the State Council on September 27, 1988 and last revised on March 2, 2019, land-use taxes in respect of urban land is to be levied according to the area of relevant land.

(vi) *Real Estate Tax*

Under the Interim Regulations on Real Estate Tax of the PRC (《中華人民共和國房產稅暫行條例》) promulgated by the State Council on September 15, 1986 and amended on January 8, 2011, real estate tax is charged at the rate of 1.2% if it is calculated on the basis of the residual value of a building which is the original value of a building minus certain percentage ranging from 10%-30% and at a rate of 12% if it is calculated on the basis of the rental of the real estate.

(vii) *Land Appreciation Tax*

Under the Interim Regulations on Land Appreciation Tax of the PRC (《中華人民共和國土地增值稅暫行條例》) promulgated by the State Council on December 13, 1993 and last amended on January 8, 2011 as well as its implementation rules promulgated by the Ministry of Finance of the PRC on January 27, 1995, land appreciation tax is payable on the appreciation value derived from the transfer of State-owned land use rights and buildings or other facilities on such land, after deducting the deductible items.

14. LABOR PROTECTION

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated by the Standing Committee of the NPC on July 5, 1994 and last amended on December 29, 2018 and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the Standing Committee of the NPC on June 29, 2007 and amended on December 28, 2012, labor contracts shall be concluded if labor relationships are to be established between the employer and the employees.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the Standing Committee of the NPC on October 28, 2010 and with effect from July 1, 2011, employees shall participate in basic pension insurance, basic medical insurance and unemployment insurance paid by both employers and employees. Employees shall also participate in work-related injury insurance and maternity insurance paid by employers. An employer shall make registration with the local social insurance agency in accordance with the provisions of the Social Insurance Law of PRC. Moreover, an employer shall declare and make social insurance contributions in full and on time. Pursuant to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》)

promulgated by the State Council on April 3, 1999 and last amended on March 24, 2019, employers shall undertake registration at the competent administrative center of housing provident fund and are also obliged to timely pay and deposit housing provident fund for their employees in full amount.

15. PRIVATE EQUITY INVESTMENT FUNDS

The establishment, operation and administration of the private equity investment funds and fund managers may subject to the Company Law of the PRC and the Partnership Enterprise Law of the PRC (《中華人民共和國合夥企業法》), which is promulgated by the Standing Committee of the NPC on February 23, 1997 and amended on August 27, 2006.

Private equity investment funds are mainly regulated by rules and regulations enacted by CSRC and Asset Management Association of China (“AMAC”). The Interim Measures for the Supervision and Administration of Private Investment Funds (《私募投資基金監督管理暫行辦法》) promulgated on August 21, 2014 by CSRC, provides that the CSRC and its local branches are responsible for the supervision and administration of the private investment funds. A fund manager must carry out registration with the AMAC after establishment and file records with the AMAC for the investment fund upon completion of fund raising.

The AMAC issued a series of rules regulating registration of fund manager, filling of funds and fund raising, including but not limited to Circular on Promulgating the Measures for the Registration of Private Equity Fund Managers and the Filling of Funds (Trial) (《關於發佈<私募投資基金管理人登記和基金備案辦法(試行)>的通知》) promulgated by AMAC on January 17, 2014 and effective as of February 7, 2014, and the Administration Measures for the Funding Raising of Private Investment Funds (《私募投資基金募集行為管理辦法》) promulgated by AMAC on April 15, 2016 and effective as of July 15, 2016.

B. JAPANESE LAWS AND REGULATIONS

The following is a brief overview of the Japanese legal framework relevant to our Company, addressing principally Japanese financial services laws and regulations, Japanese law governing *Tokutei Mokuteki Kaisha* (“TMKs”) (as explained below), laws concerning real property in Japan, regulation on distribution of surplus, Japanese employment and labor law and foreign exchange regulations.

1. REAL PROPERTY IN JAPAN

(i) *Real Property Registration System*

There is a real property registration system in Japan under which ownership of real property as well as certain other real property-related rights (such as the right to use real property or the security interests over real property) are able to be registered. Registration is required to perfect the title or right with respect to real property as against third parties. The real property register, however, does not necessarily reflect the true title or right or true holder. A party has no recourse to anyone but the seller if, relying on the registry, it purchases real property or a related right from a seller and the information contained in the registry turns out to be incorrect. The purchaser may seek reimbursement from the seller pursuant to statutory or contract-based warranties, but in general cannot acquire the title or right with respect to the real property even if it is a bona fide purchaser.

(ii) *Sales and Leasing of Real Property*

Under the Building Lots and Buildings Transaction Business Act of Japan, any person who intends to engage in the business of the sale and purchase of buildings and building lots and the agency and brokerage of sale, purchase and leasing of buildings and building lots, referred to by this law as a real property trader, must first obtain a license from the Minister or the relevant governor. The Minister or the relevant governor may revoke this license or suspend it, in whole or in part, for a period of up to one year if the real property trader enters into a transaction that violates this law or otherwise engages in substantially inappropriate conduct.

(iii) *Lease of Building*

Leases of buildings in Japan are governed principally by the Civil Code and the Act on Land and Building Leases. In relation to building lease transactions, the Act on Land and Building Leases generally takes priority over the Civil Code, principally in terms of protection of rights of lessees. Except where the Act on Land and Building Leases provides otherwise, its provisions are compulsorily applicable to building leases, regardless of the terms of the relevant lease agreement.

(a) *Lease Term*

A building lease agreement may have either a fixed or an indefinite term. Under the Act on Land and Building Leases, however, a building lease having a term of less than one year is deemed to have an indefinite term. Even if the building lease is for a fixed term of one year or more, unless the landlord gives notice of its intention not to renew the lease generally six months prior to the expiration of the term, the lease is automatically deemed to be renewed without a fixed term. This law provides that a building lease may be terminated by the landlord on six months' notice, unless longer notice period is provided for in the relevant lease agreement. However, in the case of building leases having a fixed term of one year or more, the lease generally cannot be terminated prior to the end of that term unless the lease agreement specifically provides otherwise.

Notwithstanding the foregoing, the landlord may not give notice of intention not to renew, or of termination of, a lease unless it has a justifiable reason to do so in light of a number of factors, including, each of the landlord's and the lessee's need for the building for its own use, the history of the building lease, the present use of the leased building, the current condition of the building, and the amount of money the landlord is offering to pay the lessee in consideration of vacating the building.

(b) *Adjustment of Rent*

Pursuant to the Act on Land and Building Leases, either party to a building lease may demand that the rent be increased or decreased, regardless of the provisions of the agreement, if the rent has become unreasonable either: (a) as a result of any increase or decrease in taxes or other charges imposed on the building or the land; (b) as a result of any increase or decrease in the price of building or land or any other change in economic condition; or (c) in light of the rents of comparable buildings in the immediate area. This provision of the law, however, will not permit a landlord to demand an increase in rent if the relevant lease agreement provides that the rent shall not increase for a specific period.

If no agreement is reached between the parties with respect to adjustment of the rent, either party may seek a court order. In such cases, the court will determine whether and to what extent the

amount of rent shall be adjusted taking into consideration various factors, including those described in (a) through (c) above. If the court determines that the rent should be decreased, the landlord will be ordered to return any excess rent collected after the lessee's initial demand and to pay interest on such excess amount, if any, at a rate of 10% per annum.

(c) *Special Fixed-term Building Lease*

The Act on Land and Building Leases provides that the rules regarding renewals of lease terms do not apply to a type of special fixed-term building lease known as *teiki tatemono chintaishaku*. Further, the landlord and the lessee may exclude the application of the rules regarding adjustment of rent described above.

2. FUND / INVESTMENT ADVISORY BUSINESS

Our broker business for sales and purchases of trust beneficiary interests or interests in private funds and investment advisory business are subject to regulations under the Financial Instruments and Exchange Act of Japan (the “FIEA”) and certain other laws of Japan. For such businesses, we must be registered as the financial instruments business operator under the FIEA. The Financial Services Agency of Japan may revoke such registration or issue an order of suspension of business or corrective measures under certain circumstances including the case of violation of detailed regulations under the FIEA.

3. TMK ACT

TMK is a special purpose corporation established under the Asset Liquidation Act of Japan (“TMK Act”), which can acquire, manage and dispose real properties either through direct ownership or trust beneficiary interests in accordance with the TMK Act. Under the TMK Act, TMKs are authorized to procure funds by issuing “asset backed securities” which are defined to include, among others, specified bonds and preferred contribution. TMKs also issue specified contributions, which do not constitute “asset backed securities” under the TMK Act. TMKs must conduct their operation in accordance with an asset liquidation plan (an “ALP”) and are prohibited under the TMK Act from engaging in any business other than so-called “liquidation of assets” and ancillary business in accordance with the ALP.

4. JAPANESE EMPLOYMENT AND LABOR LAW

There are several laws and regulations in Japan which are intended to regulate labor markets and employee/employer relations. These include the Labor Standards Act of Japan, which sets forth minimum labor conditions, the Minimum Wage Act of Japan which sets forth minimum wage requirements, and the Industrial Safety and Health Act of Japan, which sets forth safety and sanitary requirements for the protection of employees. Under Japanese laws and regulations, employers are prohibited from terminating employees unless there are “objectively reasonable grounds” for termination and the termination is “appropriate in the general societal terms”.

5. REGULATION ON DISTRIBUTION OF SURPLUS

Under the Companies Act of Japan (the “Japan Companies Act”), the distribution of dividends by ESR LTD (“ESR Japan”), a stock company established under the Japan Companies Act, takes the form of distribution of surplus. ESR Japan's articles of incorporation provide that it may

declare and distribute surplus to the shareholders and/or their registered pledgees whose names are entered or recorded in its final shareholders' register as of December 31 of each year. Under the Japan Companies Act, the aggregate book value of surplus distributed by ESR Japan may not exceed a distributable amount, as calculated on the effective date of such distribution. The "distributable amount" at any given time is equal to: (a) the amount of its surplus, which is determined based on the aggregate of "other capital surplus" and "other retained earnings" at the end of the previous fiscal year with various adjustments; minus (b) the aggregate of: (i) the book value of the treasury stock; (ii) the amount of consideration for any treasury stock disposed of by the company after the end of the previous fiscal year; and (iii) other amounts set forth in certain ordinances, subject to certain adjustments if extraordinary financial statements are approved as of or for a period from the beginning of the fiscal year to a specified date.

6. FOREIGN EXCHANGE REGULATIONS

Under the Foreign Exchange and Foreign Trade Act of Japan, foreign-related transactions (including acquisition and transfer of preferred contribution of TMKs and shares in respect of stock companies (the "Units")) are regulated for the purpose of contribution to the sound development of the Japanese economy and of ensuring the equilibrium of foreign transactions and stability of currency.

In general, the acquisition of the Units by a non-resident of Japan from a resident of Japan may be made without any restriction. However, in principle, a resident of Japan who transfers Units to a non-resident of Japan must file a post-facto report to the Minister of Finance following the transfer of TMKs to the non-resident of Japan (in certain cases prior notifications may be required). In addition, all cash dividends and other cash distributions payable in Japanese yen may be converted into foreign currency and freely transferred out of Japan except as may be restricted for very limited circumstances, and subject to the reporting requirements unless exempted.

7. SUMMARY OF TAXATION IN JAPAN STRUCTURE

In principle, a TMK is subject to normal corporate tax rates on its taxable profit. However, where the TMK is a "tax-qualifying" TMK, it is allowed to take a deduction against taxable income in respect of any dividend distributions which it makes to equity holders. In order to be a "tax-qualifying" TMK, a TMK needs to satisfy certain conditions set forth under the Special Taxation Measures Act of Japan, including that TMK is officially registered under the TMK Act and more than 90% of the TMK's "distributable profits" in respect of the fiscal year is declared and paid as a dividend to the equity holders.

C. SOUTH KOREAN LAWS AND REGULATIONS

1. FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT

Under the Financial Investment Services and Capital Markets Act (the "FSCMA"), an entity that wishes to engage in collective investment business shall obtain authorization from the Financial Services Commission of South Korea (the "FSC"), provided that, an entity that wishes to engage in hedge fund investment business (i.e. a collective investment scheme that issues collective investment securities only through private placement other than private equity funds (as defined in the FSCMA)) shall have its hedge fund investment business registered with the FSC. Therefore, if an entity intends to engage only in a hedge fund investment business, such entity need only to be registered with the FSC without separately obtaining a collective business authorization. Hedge funds may issue collective

investment securities to only qualified investors (professional investors and any individual, corporation or other organization (including funds) that invests in an amount equal to at least KRW100 million (for hedge funds with leverage ratio of 200% or less) or KRW300 million (for hedge funds with leverage ratio of more than 200%)). As only qualified investors having an ability to take risks accompanying the relevant investment are permitted to invest into a hedge fund, strict restrictions on asset management applicable to public offering funds are not applicable to hedge funds but instead relatively less strict restrictions are applied on the asset management of hedge funds.

Under the FSCMA, an entity that wishes to engage in investment advisory business shall have its investment advisory business registered with the FSC. Under the FSCMA, investment advisory business means the business of providing advice on: (a) the value of certain investable assets prescribed in the Capital Markets Act such as financial investment instruments; or (b) the judgment on investment into financial investment instruments and other investable assets (referring to judgment over matters such as class, acquisition, disposition, method of acquisition or disposition, quantity, price, and timing).

As hedge fund investment business entities and investment advisory business entities are both financial investment business entities under the FSCMA, such entities shall be subject to the regulations prescribed under the FSCMA and are regulated by the FSC and the Financial Supervisory Service of South Korea.

(i) *Act on Corporate Governance of Financial Companies*

As a hedge fund investment business entity and an investment advisory business entity are both defined as financial companies under the Act on Corporate Governance of Financial Companies of South Korea, the governance structures of such financial companies, including requirements for qualification for executive officers of financial companies, the organization and management of the board of directors, and the internal control system are subject to the regulations set forth in the same act. However, if: (a) the value of the total assets of the financial investment business as of the end of the latest business year is less than KRW5 trillion; and (b) the total sum of the collective investment property, the discretionary investment property, and the trust property, which are managed by the financial investment business entity as of the end of the latest business year, are less than KRW20 trillion; restrictions on outside directors, establishment of a committee within the board of directors, risk management committee, remuneration committee, remuneration system and minority shareholders' rights shall not be applicable to such financial investment business entity.

2. REGISTRATION OF REAL ESTATE DEVELOPMENT BUSINESS

(i) *The Act on the Management and Promotion of Real Estate Development Business*

Under the Act on the Management and Promotion of Real Estate Development Business (the “**Real Estate Development Business Act**”), real estate development means: (a) forming land by means of conducting construction work or changing the form and quality of the land; or (b) constructing, repairing in a large scale, or remodeling buildings, altering the purpose of use or installing structures. A person who intends to conduct a real estate development business as defined in the Real Estate Development Business Act must register for real estate development business if: (a) a non-residential building to be supplied to other persons has a gross floor area of 3,000 sq.m or more, or such buildings have a total gross floor area of 5,000 sq.m or more during the period of one year; or (b) a land area of one development project is 5,000 sq.m or more, or a total land area of development projects during the period of one year is 10,000 sq.m or more.

The Real Estate Development Business Act further provides that a land owner not registered for real estate development business may conduct real estate development jointly with a person registered for real estate development business (the “**Registered Developer**”); provided, that such land owner: (a) secures the title to the land under development; (b) deregisters, if any, mortgages, security interests provisionally registered, provisional attachments or any such encumbrances created over the land prior to the sale of such land (if the titleholder of such encumbrances provides consents to the real estate development on the land, such deregistration will not be required); and (c) enters into an agreement with the Registered Developer setting forth the use and disposal of the real estate under development, distribution of profits and losses incurring from such real estate, allocation of project expenses, project period and other responsibilities related to such project.

3. EMPLOYMENT, LABOR AND WORKPLACE SAFETY

(i) *Employment—Labor Standards Act (“LS Act”)*

The LS Act is the primary legislation in Korea governing employee relations and sets out minimum requirements for working conditions at the workplace. Any term or provision of an individual employment agreement, the rules of employment which are made by employer or a collective bargaining agreement which fails to meet the minimum requirements under the LS Act becomes null and void. In addition to the LS Act, there are a few statutes which apply to specific labor-related matters.

According to the LS Act, in order to enter into an employment relationship: (a) employers must execute written labor contracts with employees; (b) work hours shall not exceed 40 hours a week, eight hours a day (excluding hours of recess) in general, unless there is a separate agreement between the parties and overtime payment is provided to employees; (c) employers shall not, without justifiable cause, dismiss, lay off, suspend, or transfer a worker, reduce wages, or take other punitive measures against employees; (d) employers shall establish its work safety measures and sanitation system and provide employees with workplace safety training; and (e) employers are required to pay salaries to employees on time and salaries paid to employees shall not be lower than the minimum salary standard defined under the Minimum Wage Act.

(ii) *Other Labor Related Regulation*

The other main labor related laws in Korea include the Minimum Wage Act, the Wage Claim Guarantee Act, the Employee Retirement Benefit Security Act, the Act on Equal Employment and Support for Work-Family Reconciliation, the Act on the Promotion of Workers’ Participation and Cooperation, the Occupational Safety and Health Act, and the Trade Union and Labor Relations Adjustment Act.

In addition to the above legislations, employers are also required to make contributions to four major social insurance (national health insurance, national pension, employment insurance and industrial accident compensation insurance, respectively) in accordance with the National Health Insurance Act, the National Pension Act, the Employment Insurance Act and the Industrial Accident Compensation Insurance Act.

4. DIVIDEND DISTRIBUTION

The principal law regulating the dividend distribution by a company in Korea is the Korean Commercial Code (the “**KCC**”). Under the KCC, a company may pay annual dividends only if the

company has distributable profit. The amount of distributable profit is the amount equal to its net assets, subtracted by the sum of: (a) its stated capital; (b) the total amount of its capital surplus reserve and earned surplus reserve which have accumulated up to the end of the previous fiscal year; (c) its earned surplus required to be accumulated for the then current fiscal year; and (d) the net assets stated in its balance sheet as being increased as a result of the evaluation of its assets and liabilities in accordance with its accounting principles without being set off against any unrealized loss. A company's earned surplus required to be accumulated for the then current fiscal year, which is mentioned in (c) above, is the legal reserve, the amount of which is equal to 10% of the amount of the annual dividend. A company may not pay any dividend unless it has set aside as such legal reserve or unless it has accumulated a legal reserve of not less than one-half of its stated capital. A company may not use its legal reserve to pay cash dividends but may transfer amounts from its legal reserve to its capital stock or use its legal reserve to reduce an accumulated deficit.

A company may distribute annual dividends in cash or in newly issued shares, but dividends in newly issued shares may not exceed one-half of the annual dividends. Under the KCC, in-kind distribution of dividends, other than cash or newly issued shares, are permitted if provided for in the articles of incorporation of the company. In principle, annual dividends, if any, must be approved at the annual general meeting of shareholders. The annual dividend is generally paid shortly thereafter to the shareholders as of the end of the preceding fiscal year. Under the KCC, the board of directors of a company, instead of shareholders, may approve annual dividends if permitted by its articles of incorporation. In addition, under the KCC, a company has no obligation to pay any annual cash dividend unclaimed for five years from the payment date, at which time rights to such dividends lapse.

5. FOREIGN INVESTMENT AND FOREIGN EXCHANGE CONTROLS

The Foreign Exchange Transactions Act (the “FETA”) applies to all matters concerning foreign exchange and foreign investment unless otherwise specified in other legislation, mainly the Foreign Investment Promotion Act (the “FIPA”). The FSC has also adopted, pursuant to its authority under the FSCMA, regulations that regulate investments by foreigners in Korean securities. Under the FIPA, “foreign investment” is defined to include the case where a foreign entity holds 10% or more of the stocks or shares of a Korean corporation or company that is operated by a national of the Republic of Korea and the investment amount of such foreign entity is KRW 100 million or more.

Under the FIPA, international remittance of any profits arising from the shares held by a foreign investor, its sale proceeds and/or related commissions is guaranteed in accordance with the details of a report or permission on the related foreign investment that was filed or obtained as at the time of such remittance, and such foreign investors and/or foreign investment companies are in principle treated in the same manner the nationals of the Republic of Korea or Korean corporations are treated in respect of their business operation.

Pursuant to the Restriction of Special Taxation Act, foreign investment companies may be eligible for reductions or exemptions of certain taxes, including corporate tax, income tax, acquisition tax, registration tax, property tax and aggregate land tax.

Under the FIPA a foreigner who intends to make a foreign investment is required to make a prior report thereon to the Minister of Trade, Industry and Energy, and a foreign investment company is required to register as a foreign investment company with the Minister of Trade, Industry and Energy after completing the payment of its contributions or acquisition of necessary shares.

Under the FETA, any transaction that involves the transfer of shares and the payment of cash in consideration for such shares between residents and non-residents of Korea is generally subject to a reporting requirement that involves the filing of a report with the Bank of Korea or a relevant foreign exchange bank. However, no such reporting is necessary in connection with any purchase by a non-resident of shares in a Korean company from a resident for the purpose of foreign investments permitted under the FIPA.

Under FETA, if the South Korean government deems that: (a) the need to do so is inevitable due to the outbreak of natural calamities, wars, conflict of arms or grave and sudden changes in domestic or foreign economic circumstances or other similar situations, the Ministry of Strategy and Finance may temporarily suspend payment, receipt or the whole or part of transactions to which the Foreign Exchange Transaction Laws apply, or impose an obligation to safe-keep, deposit or sell means of payment in or to certain South Korean governmental agencies or financial institutions; and (b) an international balance of payments and international finance are confronted or are likely to be confronted with serious difficulty or the movement of capital between South Korea and abroad brings or is likely to bring about serious obstacles in carrying out its currency policies, exchange rate policies and other macroeconomic policies, the Ministry of Strategy and Finance may take measures to require any person who intends to perform capital transactions to obtain permission or to require any person who performs capital transactions to deposit part of the payments received in these transactions at certain South Korean governmental agencies or financial institutions. However, the above provision of the FETA does not apply to any foreign investment companies prescribed by the FIPA.

6. TAX

(i) *Withholding tax on dividend income*

Under Korean tax laws, in the absence of a tax treaty between Korea and the country in which the foreign company resides, Korean sourced dividend income earned by a foreign company, which does not have a permanent establishment in Korea, may be subject to Korean withholding tax at a rate of 22% (including local income tax) on the dividend amount.

(ii) *Corporate Income Tax Act*

Domestic corporations are required to pay corporate income tax in accordance with the Corporate Income Tax Act (“**Tax Act**”). Filing of corporate income tax return is required twice a year. The year-end return is due within three months of the fiscal year end and the interim return is due within two months after the end of the interim six-month period. Under the Tax Act, the tax rate is 11% for the first KRW 200 million of taxable income, 22% for the taxable income over KRW 200 million but less than KRW 20 billion, 24.2% for the taxable income exceeding KRW 20 billion but less than KRW 300 billion, and 27.5% for the taxable income exceeding KRW 300 billion.

If other deductions and credits are applicable under other tax laws than the Tax Act, the effective tax rates applicable to domestic corporations can be further reduced.

D. SINGAPOREAN LAWS AND REGULATIONS

1. CAPITAL MARKET SERVICES LICENSE FOR REAL ESTATE INVESTMENT TRUST MANAGEMENT

The following is a brief overview of the Singapore legal framework relating to ESR-REIT Manager’s provision of REIT management (“**REIT Management**”) services in Singapore.

A company that carries on a business in REIT Management is required to hold a capital markets services license (the “**CMS License**”) under the Securities and Futures Act (Chapter 289 of Singapore) (“**SFA**”).

REIT Management is defined in the SFA to mean managing the property of, or operating, a real estate investment trust. For the purposes of REIT Management, real estate investment trust is defined in the SFA as a collective investment scheme, (a) that is authorized under section 286 of the SFA or recognized under section 287 of the SFA; (b) that is a trust; (c) that invests primarily in real estate and real estate-related assets specified by the Monetary Authority of Singapore (“**MAS**”) in the Code on Collective Investment Schemes issued by the MAS on May 23, 2002 and last revised on October 8, 2018, and (d) all or any units of which are listed for quotation on a corporation that is approved by the MAS under section 8(1) of the SFA as an approved exchange, which includes the Singapore Exchange Securities Trading Limited.

The Guidelines To All Holders Of A Capital Markets Services Licence For Real Estate Investment Trust Management (Guidelines No SFA04-G07) issued by the MAS on January 1, 2016 (the “**Guidelines**”) and the Notice To All Holders Of A Capital Markets Services Licence For Real Estate Investment Trust Management (Notice No SFA04-N14) issued by the MAS on January 1, 2016 (the “**Notice**”) set out, inter alia, guidelines relating to the minimum licensing criteria for REIT managers holding a CMS License and the corporate governance arrangements for REIT managers. The Guidelines include requirements that the license holder be a Singapore-incorporated company, have a permanent physical office in Singapore, satisfy the MAS that its controlling shareholders, where applicable, have established track records in managing, investing in, or advising on the type of real estate to be invested by the REIT for the past five years at a minimum, and have good rankings in their home countries. REIT managers are also required to maintain a base capital of S\$1 million and procure professional indemnity insurance with coverage that complies with the Guidelines. The Guidelines also require that the license holder satisfy the MAS that it will discharge its duties efficiently, honestly and fairly, comply with the financial resources requirements set out in Part III of the Securities and Futures (Financial and Margin Requirements for Holders of Capital Market Services Licences) Regulations, conduct accounting, compliance and investor relations functions in relation to the management of the REIT in Singapore and that the Singapore operations of the license holder should have a meaningful role in the management of the REIT relative to any other related entities or branch offices, as the case may be, which may also have responsibility for the management of the REIT.

License holders are also required to comply with any conditions set out in its CMS License for REIT Management granted by the MAS. The license holder, its officers, employees, representatives and substantial shareholders are required to be fit and proper persons, in accordance with the criteria set out in the Guidelines on Fit and Proper Criteria (Guideline No. FSG-01) issued by the MAS on July 1, 2005 and last revised on October 8, 2018. The term “substantial shareholder” in this section of the Prospectus means a person who has a substantial shareholding in a company where: (a) he has an interest or interests in one or more voting shares in the company; and (b) the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all the voting shares in the company. The Guidelines on Fit and Proper Criteria provide that the MAS will take into account, inter alia, the following criteria in assessing whether a person is fit and proper to be licensed: (a) his honesty, integrity and reputation; (b) his competence and capability; and (c) his financial soundness.

Section 96 of the SFA provides that the license holder shall obtain the approval of the MAS prior to appointing its chief executive officer, any director and changing the nature of appointment of a

director from non-executive to executive. The Guidelines provide that the chief executive officer and directors of the license holder should have at least 10 years of relevant experience, including five years at a management level. The chief executive officer (as defined in section 2(1) of the SFA) of the license holder should be resident in Singapore unless the license holder manages a REIT that is invested primarily in foreign properties, in which case the chief executive officer may be resident in that foreign country in which the REIT's properties are primarily invested in, if the license holder satisfies the MAS that this arrangement does not compromise the chief executive officer's overall accountability for the license holder, in particular, the effective governance and oversight of the REIT portfolio and REIT Management activities.

The Guidelines further provide that license holders should have a minimum of three full-time representatives (which may include the chief executive officer) who are resident in Singapore and who each have at least five years of experience relevant to REIT Management and who perform the following functions: investment management, asset management, financing, marketing and investor relations.

License holders must also comply with all principles and guidelines set out in the Code of Corporate Governance issued by the MAS on January 1, 2003 and last revised on August 6, 2018 (the "**Code of Corporate Governance**"). Any deviation from the Code of Corporate Governance should be clearly explained in the annual report of the REIT.

2. OVERVIEW OF LABOR LAWS, RULES ON DISTRIBUTIONS AND EXCHANGE CONTROLS

The following is a brief overview of the labor laws, rules on distributions, exchange controls and regulations relating to the provision of property management services by companies in Singapore which may be material to ESR-REIT Manager, ESR Property Management (S) Pte. Ltd., Infinitysub Pte. Ltd. and ESR Investment Management Pte. Ltd..

(i) *Employment Act, Chapter 91 of Singapore*

The Employment Act generally applies to persons who have entered into or work under a contract of service with an employer, save for section 33 and Part IV of the Employment Act which shall only apply to (a) workmen who are in receipt of a salary not exceeding S\$4,500 a month (excluding overtime payments, bonus payments, annual wage supplements, productivity incentive payments and any allowance however described) or such other amount as may be prescribed by the Minister of Manpower; and (b) every employee (other than a workmen or a person employed in a managerial or an executive position) who receives a salary not exceeding S\$2,600 a month (excluding any overtime payment, bonus payment, annual wage supplement, productivity incentive payment and any allowance however described) or such other amount as the Minister of Manpower may prescribe. Section 33 of the Employment Act relates to the priority of salary of employees to other debts of an employer while Part IV of the Employment Act relates to rest days, hours of work and other conditions of service.

The Employment Act sets out certain basic terms and conditions of employment, including in relation to notice of termination, payment of salary, rest days, hours of work, maternity protection and benefits and holiday and sick leave entitlements. Section 8 of the Employment Act provides that every term of a contract of service, which provides a condition of service, which is less favorable to an

employee than any of the conditions of service prescribed by the Employment Act shall be illegal, null and void to the extent that it is so less favorable.

(ii) *Employment of Foreign Manpower Act, Chapter 91A of Singapore*

The Employment of Foreign Manpower Act governs the employment of foreign employees in Singapore. Under section 5(1) of the Employment of Foreign Manpower Act, no person shall employ a foreign employee unless the foreign employee has a valid work pass issued by the Singapore Ministry of Manpower. Any person who contravenes section 5(1) of the Employment of Foreign Manpower Act shall be guilty of an offense and shall: (a) be liable on conviction to a fine of not less than S\$5,000 and not more than S\$30,000 or to imprisonment for a term not exceeding 12 months or to both; and (b) on a second or subsequent conviction: (i) in the case of an individual, be punished with a fine of not less than S\$10,000 and not more than S\$30,000 and with imprisonment for a term of not less than one month and not more than 12 months; or (ii) in any other case, be punished with a fine of not less than S\$20,000 and not more than S\$60,000.

(iii) *Dividend Distributions*

A company may, by ordinary resolution of its shareholders, declare dividends at a general meeting, but may not pay dividends in excess of the amount recommended by the Board of Directors. All dividends must be paid out of the company's profits and are paid pro rata among its shareholders in proportion to the amount paid up on each shareholder's shares, unless the rights attaching to an issuance of any share provide otherwise. A company may satisfy dividends by the issuance of shares to its shareholders.

(iv) *Foreign Exchange Controls*

There are currently no exchange control restrictions in effect in Singapore.

E. AUSTRALIAN LAWS AND REGULATIONS

1. CONSTRUCTION

Australia's key construction regulations operate separately on a state and territory basis throughout Australia. While Australia has a national approach to technical standards under the Building Code of Australia, each state and territory continues to regulate the construction industry through its own building control and planning legislation. Recently, legislation has been introduced in most jurisdictions controlling the use of combustible cladding materials in buildings and requiring owners of buildings already containing combustible cladding to remove and replace it.

(i) *Licensing and registration*

Each Australian jurisdiction has legislation requiring builders to be appropriately registered and/or licensed to perform certain kinds of building work. While some jurisdictions only require builders to be relevantly registered or licensed to perform domestic building work, other Australian jurisdictions have broader registration and licensing requirements that apply generally to commercial and domestic building works. All licenses and approvals necessary for the conduct of our Group's business in Australia have been obtained and are valid and subsisting.

(ii) *Planning*

Each Australian jurisdiction has legislation to regulate the permitted use, development (and subdivision) and protection of land. Such legislation commonly provides procedures for obtaining planning permits, which allows land to be used or developed in accordance with the planning scheme or policy of the relevant jurisdiction and these permits are typically required before development and construction activity may take place. Failure to obtain, or comply with, a planning permit may result in significant penalties. Our Group is also required to comply with legislation which addresses the preservation of heritage values in places and buildings and the ecological values of threatened species of flora and fauna and is prohibited from, and may incur significant penalties for, polluting or causing environmental harm to land, air or water or emitting noise pollution unless authorized by a license.

(iii) *Building Approvals*

Each Australian jurisdiction commonly requires a works approval to be obtained before building works are commenced. Building approvals are usually issued by private or municipal building certifiers or surveyors and form part of a broader process of certifying that building works reach certain nominated stages, prior to ultimately being certified as acceptable for occupancy. Building approvals are intended to ensure the building works meet minimum requirements and that works are monitored and certified as compliant. This regime also provides for issuing orders to rectify non-compliance, as well as a range of activities where building works impact on third parties, such as adjacent properties.

(iv) *Insurance*

In addition to compulsory insurances required across all Australian industries, Australian states and territories commonly require builders to take out specific insurance policies, often as a condition of the builder's license of registration. Required insurances may include domestic building insurance, professional indemnity insurance, public liability insurance and/or structural defects/builders' indemnity insurance.

(v) *Building standards*

The Building Code of Australia ("BCA") is an initiative of the Council of Australian Governments developed to establish a uniform set of technical provisions for the design and construction of buildings in Australia. At state and territory level, the BCA is adopted (subject to minor variations and deletions) under the various building laws and regulations applicable in each jurisdiction. Different classes of building must satisfy different requirements under the BCA. In line with Commonwealth anti-discrimination legislation, buildings in all jurisdictions must be "accessible" as required by the BCA unless exempted

2. **PROPERTY AND LEASING**

Australia's key property laws and regulations operate separately across the various jurisdictions. Australia has a land title registration system known as "Torrens Title" which has a central registry of interests in land (including freehold title and certain leases) that is regulated by the land titles body in the relevant jurisdiction. Certain legal requirements must be met before land in Australia can be dealt with including that agreements to deal with land must be made in writing and documents to be lodged for registration must be in the prescribed form and executed in accordance with the relevant registry requirements.

3. FUNDS MANAGEMENT LAW AND REGULATIONS

The business of our Group may include in the future a funds management business. The Corporations Act 2001 (Cth) (“**Corporations Act**”) is the primary legislation governing fund managers in Australia. The Australian Securities and Investments Commission (“**ASIC**”) is the primary securities regulator, and monitors and enforces the Corporations Act and the associated Australian financial services license (“**AFSL**”) regime.

An AFSL is required in order to cover a range of regulated activities that our Group may be involved in, including the provision of investment management advice, the offer of interests in an investment fund and the provision of custodial and depository services. Investment funds structured as managed investment schemes generally require registration with ASIC if offered to retail clients, and may register voluntarily in other cases.

The Corporations Act imposes various disclosure requirements and market misconduct requirements (aimed at preventing misleading or deceptive conduct in the provision of financial services) to offers of interests in funds to retail and wholesale clients in Australia. In certain cases, notice of an offer needs to be lodged with ASIC.

(i) *Australian financial services license compliance requirements*

A holder of an AFSL must: (a) maintain minimum regulatory capital; (b) put in place adequate arrangements for the management of conflicts of interest; (c) have adequate risk management systems; (d) report significant breaches to ASIC; (e) ensure designated ‘responsible managers’ and other personnel are trained and supervised; (f) if retail client services are provided, have adequate professional indemnity insurance and maintain appropriate internal and external dispute resolution processes. An AFSL holder is subject to an overarching duty to ensure that financial services are provided efficiently, honestly and fairly. Subject to some limited exemptions, issuers of interests in, and managers of, investment funds will generally need to hold an AFSL (regardless of whether the investors in the fund are retail clients or wholesale clients). Three entities in our Group currently hold an AFSL and our Group may hold additional AFSLs in the future.

(ii) *Unit trusts (managed investment schemes)*

The investment fund vehicle most commonly used in Australia is the unit trust. A unit trust is a legal arrangement under which a trustee is bound as a fiduciary to administer the pool of assets on behalf of beneficiaries. Unit trusts can be regulated as ‘managed investment schemes’ under the Corporations Act and are required to be registered with ASIC if offered to retail clients.

(iii) *Reform of stapled entity structures*

Real estate funds commonly adopt stapled fund structures that involve an investor subscribing for interests in a trust and either interests in a taxpaying trust or interests in an investment company. The interests of each investor in these entities are contractually stapled together in the sense that a dealing in an interest of an investor in one entity requires a corresponding dealing in the interest of the investor in the other entity. Proposed legal reforms in Australia may limit the use of stapled structures.

4. EMPLOYMENT

The Fair Work Act 2009 (Cth) (“**Fair Work Act**”) is the principal source of industrial relations regulation for our Group in respect of its employees in Australia. The Fair Work Act contains ten

minimum employment conditions known as the National Employment Standards (“NES”) which apply to all employees (including executives). Supplementing the NES is a system of modern awards that covers employers and employees in certain industries and occupations and enterprise agreements which are collective agreements made between employers and employees.

Any member of our Group that is an employer must provide workers’ compensation insurance coverage for its employees. They must also make superannuation contributions for their employees and, in some circumstances, independent contractors.

In addition, uniform Workplace Health and Safety laws apply in all Australian states and territories, except Victoria and Western Australia which apply similar laws with respect to occupational health and safety.

5. COMPANY LAW

The establishment, operation and management of companies and managed investment schemes in Australia is governed primarily by the Corporations Act which is administered by the ASIC. The Corporations Act applies to both domestic Australian companies and companies that were incorporated overseas, including companies with a majority of foreign investors. Company law regulates the registration, powers, operation, governance and winding up of companies.

6. DISTRIBUTIONS

The principal legislation governing dividend distributions in Australia is the Corporations Act. To pay a dividend, the directors of an Australian company must be satisfied: (a) the company has sufficient net assets; (b) the dividend is fair and reasonable to the company’s shareholders as a whole; and (c) the dividend does not materially prejudice the company’s ability to pay its creditors.

The directors must also be satisfied that the company has sufficient profits and ensure any requirements imposed by the company’s constitution are met. In relation to trusts, distributions must be made in accordance with the relevant trust deed.

7. FOREIGN INVESTMENT

Australia’s foreign investment regulatory framework comprises the Foreign Acquisitions and Takeovers Act 1975 (Cth) (“FATA”) and the Foreign Acquisitions and Fees Imposition Act 2015 (Cth) and their associated regulations. Foreign investors must submit foreign investment proposals that meet certain criteria to the Australian Treasurer for approval. The Treasurer has the power to block foreign investment approvals that are contrary to Australia’s national interest or apply conditions on the way in which a proposal is to be implemented.

Under FATA, the members of our Group are classified as “foreign government investors”. Foreign government investors are generally required to obtain approval under FATA for each acquisition they propose to make of land or shares or units in Australian companies or trusts in which the investor has an interest of 10% or more regardless of the value of the investment. Our Group has obtained the necessary approvals for its current investments and activities in Australia.

8. APPLICABLE MAJOR TAXES

In Australia, foreign entities are, ordinarily, only taxed on income derived from sources in Australia and capital gains made from dealing with certain assets that have a substantial connection

with Australia, such as the sale of Australian real property (directly and in some cases indirectly), resource interests and business assets. Australian entities are taxed on their worldwide income (that is, from sources both in and outside Australia). Certain members of our Group are residents of Australia for tax purposes.

(i) ***Income Tax***

Under Australian Federal tax law, income tax is levied on “taxable income” which is the product of a taxpayer’s assessable income less allowable deductions. Assessable income includes “ordinary income” (e.g. business and investment income) and “statutory income” (e.g. capital gains, including in connection with the disposal of capital gains taxable assets such as real property). The taxable income of most companies is taxed at a flat rate of 30%. However, most companies with annual turnover less than A\$50 million are taxed at a flat rate of 27.5% under rates applicable to the 2019-20 income year. These rates apply to both resident and non-resident companies. The relevant double tax agreement may eliminate this tax for a non-resident company with no permanent establishment or real property in Australia.

(ii) ***Withholding Tax***

Australian withholding tax can be imposed on dividends, interest and royalties paid by residents of Australia to non-residents. Under domestic law, the withholding rates are generally 30% for unfranked dividends, 10% for interest and 30% for royalties (subject to any domestic exemption and unless a lower rate applies because Australia has a double taxation agreement with the country in which the non-resident resides or an exception applies). Dividends to which tax credits are attached are called franked dividends. Dividends may be franked, partly franked or unfranked. The franked part of dividends is not subject to dividend withholding tax for dividends paid to non-residents.

In addition to dividend, interest and royalty withholding tax, taxable distributions by Australian trusts to non-resident companies are subject to withholding tax payable at 30%. “Fund payments” (e.g. distribution of rent derived from real property investments) by “managed investment trusts” to most non-resident investors are subject to a final withholding tax which generally applies at a rate of 15%.

From July 1, 2019, the managed investment trust (“MIT”) withholding rate on certain “active business income” increased from 15% to 30%, treating income, rent and capital gains derived by a MIT from certain categories of income, including agricultural land and certain residential housing, as active income, meaning that such income will be subject to a withholding rate of 30%.

A non-final 12.5% withholding tax applies to proceeds of sales by non-residents of direct and indirect interests in certain Australian real property.

(iii) ***Transfer Pricing***

Under Australia’s transfer pricing regime, related party arrangements must be conducted on an arm’s length basis or risk being subject to adjustment. The transfer pricing rules can apply to international agreements for the supply or acquisition of property (including intellectual property), good and services, insurance or finance (e.g. loans). Deductions for interest incurred by inbound and outbound investment vehicles may be limited under what are known as the Australian thin capitalization rules. Broadly, a portion of interest (and related expenses) is denied as a deduction if the average debt of the Australian entity or operations exceeds 60% of the average assets of that entity, or the entity’s Australian operations, that is, a 1.5:1 debt to equity ratio (subject to certain exceptions).

(iv) *Goods and Services Tax*

In general, in Australia, the supplier of goods or services is required to remit GST to the Australian Taxation Office equal to 10% of the value of the goods or services supplied. It is levied on the supply of goods, services and other things such as property and rights. However, the supply of certain goods and services is GST-free (for example, exports) or input taxed (for example, financial services). As with income tax, associated entities can elect to form a GST group. Generally, transactions within the group are ignored for GST purposes and the representative member is responsible for the groups reporting obligations.

(v) *Employment Tax*

The Australian Federal Government imposes fringe benefits tax and payroll tax on employers in respect of non-cash benefits, reimbursements and wages provided to their employees.

(vi) *Stamp Duty*

Stamp duty is levied in each Australian jurisdiction (at varying rates) on certain transactions, such as: (a) the purchase of business assets in Western Australia, Queensland and the Northern Territory; (b) in some jurisdictions, the purchase of interests in partnerships and trusts where the partnership or trust holds certain property located in that jurisdiction; and (c) in all states and territories, the direct transfer of land and interests in land and certain goods.

(vii) *Landholder Duty*

In Australia, an indirect transfer of an interest in land may be subject to landholder duty. In general terms, landholder duty is imposed on the acquisition of shares or units in entities that hold (either directly or indirectly through related entities) land assets of a particular value in that state or territory. The tests and thresholds that apply for determining when an entity is a landholder and when a liability is triggered varies between each jurisdiction, as well as by entity type.

F. INDIAN LAWS AND REGULATIONS

The following description is a summary of certain sector specific laws currently in force in India, which are applicable to ESR Advisers India Private Limited, ESR Bhiwandi Industrial Park Private Limited and ESR Pune Industrial Park Realty Private Limited (together, the “**Indian Companies**”).

1. PROPERTY RELATED LEGISLATION

(i) *Transfer of Property Act, 1882 (“TP Act”)*

The TP Act establishes the general principles relating to transfer of property in India. It forms a basis for identifying the categories of property that are capable of being transferred, the persons competent to transfer property, the validity of restrictions and conditions imposed on the transfer and the creation of contingent and vested interest in the property and mortgage of immovable property. It also provides for the rights and liabilities of the vendor and purchaser in a transaction of sale of immovable property. The TP Act also governs lease agreements, including the rights and liabilities of the lessor and the lessee.

(ii) *The Registration Act, 1908*

The main purpose for which this Act was designed was to ensure information about all deals concerning land so that correct land records could be maintained and the same provides that the transactions relating to land shall be mandatorily registered with Registering authorities.

(iii) *The Maharashtra Stamp Act, 1958*

The Maharashtra Stamp Act, 1958 is expedient to consolidate and amend the law relating to stamps and rates of stamp duties in the State of Maharashtra and prescribes the different rates of duties on the instrument falling within the various descriptions set-out in Schedule I of the Maharashtra Stamp Act, 1958.

(iv) *Maharashtra Industrial Development Act, 1961 (“MID Act”)*

The MID Act provides for the powers and functions of the Maharashtra Industrial Development Corporation, which include promotion and assistance in the rapid and orderly establishment, growth, and development of industries in the State of Maharashtra.

(v) *Real Estate (Regulation and Development) Act, 2016*

No promoter shall advertise, market, book, sell or offer for sale, or invite persons to purchase in any manner any plot, apartment or building, as the case may be, in any real estate project or part of it, in any planning area, without registering the real estate project with the Real Estate Regulatory Authority. Such registration should be obtained under Section 5 of the Real Estate (Regulation and development) Act, 2016.

(vi) *The Maharashtra Shops and Establishments (Regulation of Employment and Conditions of Service) Act, 2017*

The provisions of the Maharashtra Shops and Establishments (Regulation of Employment and Conditions of Service) Act, 2017 regulate the conditions of work and employment in shops and commercial establishments and generally prescribe obligations in respect of inter alia registration, opening and closing hours, daily and weekly working hours, holidays, leave, health and safety measures, and wages for overtime work.

2. TAX RELATED LEGISLATION

The Central Goods and Service Tax Act, 2017 provides for imposition of tax on the supply of goods or services and is levied at two levels, central GST, and state GST, along with an integrated GST, for inter-state supply of goods or services.

3. COMPANIES RELATED LEGISLATION

The Indian Companies are companies and are therefore, subject to the provisions of the Companies Act, 2013 (“**Indian Companies Act**”). The Indian Companies Act, inter alia, regulates the incorporation of companies, prescribes the roles and responsibilities of directors, shareholders and key managerial personnel and the procedure for undertaking various corporate actions by the company. Declaration of dividends by companies is regulated, among other sections, under Section 123 of the Indian Companies Act.

We are also required to comply with the Competition Act, 2002, as amended (“**Competition Act**”), which regulates practices having an appreciable adverse effect on competition in the relevant market in India and combinations (including mergers, amalgamations and acquisitions) in excess of certain thresholds.

4. EMPLOYMENT RELATED LEGISLATION

Certain other laws and regulations that may be applicable to us in India include the Contract Labor (Regulation & Abolition) Act, 1970, Ease of Compliance to maintain Registers under various Labor Laws Rules, 2017, Employees’ Compensation Act, 1923, Employees’ Provident Funds and Miscellaneous Provisions Act, 1952, Employees’ State Insurance Act, 1948, Equal Remuneration Act, 1976, Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979, The Building Construction and Other Construction Workers’ (Regulation and Employment and Condition of Service) Act, 1996, Maternity Benefit Act, 1961, Minimum Wages Act, 1948, Payment of Bonus Act, 1965, Payment of Gratuity Act, 1972, Payment of Wages Act, 1936, and Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

5. FOREIGN INVESTMENT RELATED LEGISLATION

In addition to the above, the Indian Companies in India are required to comply with the provisions of the Foreign Exchange Management Act, 1999 (“**FEMA**”), which was enacted to consolidate and amend the law relating to foreign exchange in India.

Foreign investment in companies in the construction development sector and other financial services sector are governed by the provisions of the FEMA read with the applicable regulations. The Consolidated FDI Policy consolidates the policy framework on Foreign Direct Investment (“**FDI Policy**”), with effect from August 28, 2017.

The RBI, in exercise of its power under the FEMA, has also notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2017 to prohibit, restrict or regulate, transfer by or issue of security to a person resident outside India.

In terms of the FDI Policy, foreign investment in the sector in which ESR Bhiwandi Industrial Park Private Limited and ESR Pune Industrial Park Realty Private Limited operate are permitted up to 100% under the automatic route, subject to the certain conditions relating to timing of exit by the investor; the project conforming to prescribed norms and standards including land use requirements and provision of community amenities and common facilities as also the company obtaining all necessary approvals for the development; sale of only developed plots by the company.

Further, foreign investment in the sector in which ESR Advisers India Private Limited operates is permitted up to 100% under the government approval route and is subject to certain conditions such as funding the company to the extent of minimum capitalization requirement.

6. OTHER REGULATIONS

ESR Bhiwandi Industrial Park Private Limited and ESR Pune Industrial Park Realty Private Limited, upon commencement of construction related activities, will also be governed by the provisions of the National Building Code of India, 2016 (“**NBC**”), including in relation to fire and life safety. Many of the NBC provisions has been incorporated by various state governments and local

bodies in their own building regulations. The Maharashtra Fire Prevention and Life Safety Measures Rules, 2009, framed under the Maharashtra Fire Prevention and Life Safety Measures Act, 2006 are examples to this, and are aimed to improve the status of fire safety measures in the state of Maharashtra.

Further, ESR Bhiwandi Industrial Park Private Limited and ESR Pune Industrial Park Realty Private Limited, upon commencement of construction related activities, will also be governed by various other acts, rules and policies such as the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 Maharashtra Municipal Corporations Act, 1949, the Bombay Lifts Act, 1939 and the Bombay Lift Rules 1958, the Maharashtra Lifts, Escalators and Moving Walks Act, 2017 and the rules framed thereunder, Petroleum Act, 1934 and the Petroleum Rules, 2002, Maharashtra (Urban Areas) Preservation of Trees Act, 1975, Ancient Monuments and Archaeological Sites and Remains Act, 1958, Aircraft Act, 1934, various labor laws, various tax related legislations and other applicable statutes for its day-to day operations.

Moreover, ESR Advisers India Private Limited will be governed by the provisions of the SEBI (Investment Advisers) Regulations, 2013 to the extent applicable to its investment advisory activities.

The following is the text of a letter, summary of values and valuation summary prepared for the purpose of incorporation in this prospectus received from Beijing Colliers International Real Estate Valuation Co., Ltd. (“Colliers International”), an independent valuer, in connection with their opinions of value of certain property interests of the Group as at September 30, 2019.

Beijing Colliers International Real Estate Valuation Co., Ltd.

Suite 510, Tower W3, Oriental Plaza,
No. 1 East Chang'an Ave., Dongcheng District,
Beijing, China



October 22, 2019

The Board of Directors
ESR Cayman Limited

Dear Sir or Madam,

Re: Valuations of 33 Properties located in the PRC (Together known as the “Properties”, individually known as the “Property”)

INSTRUCTIONS

Instructions have been received from ESR Cayman Limited (the “Company”) to conduct valuations of the captioned properties held by each subsidiaries of ESR Cayman Limited (hereinafter together referred to as the “Group”), we confirm that we have carried out inspections, made relevant enquires and obtained such further information as we consider necessary to allow us to provide you with our opinions of the market value of each Property, detailed in the attached valuation summaries as at September 30, 2019 (the “Date of Valuation”) for the purpose of incorporating in the prospectus.

For ease of reference a summary of the valuations is contained in the valuation schedule below.

BASIS OF VALUATIONS

Our valuations are provided on the basis of Market Value, which we define as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

VALUATION STANDARDS

These valuations have been carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Global Valuation Professional Standards, incorporating the International Valuation Standards of the International Valuation Standards Council (ISVC), and the requirements set out in Chapter 5 of the Main Board Listing Rules and Practice Note 12 Governing the Listing of Securities published by The Stock Exchange of Hong Kong Limited.

VALUATION APPROACHES

We have valued the Properties using the Income Approach by Income Capitalisation and Discounted Cash Flow Methods, the Market Approach and the Cost Approach, as appropriate.

For the property interests in Group I, which are completed and stabilised or completed and pre-stabilised, we have valued each of those property interests by the Income Capitalisation and Discounted Cash Flow Methods.

The **Income Capitalisation Method** estimates the value of properties or assets on a market basis by capitalizing net rental income on a fully leased basis. This method is used when a property or asset is leased out for a specific term(s). This technique considers both the current passing rental income from existing tenancies and the potential future reversionary income at market level, by capitalising both at appropriate rates. In calculating the net rental income for this purpose, deduction is made for outgoings such as property management fees, capital expenditure, vacancy loss, and other necessary expenses.

The **Discounted Cash Flow (DCF) Method** is the process of valuing an investment property or asset by undertaking an estimation of future cash flows and taking into account the time value of money. During the DCF technique, the income is projected over the investment cycle and the net income is calculated after the deduction of capital, operating, and other necessary expenses.

For the property interests in Group II, which are under development, we have valued such property on the basis that it will be developed and completed in accordance with the latest development plan provided to us. We have assumed that all consents, approvals and licenses from relevant government authorities for the development plan have been obtained without onerous conditions or delays. We have taken into account the cost that will be expected to complete the development to reflect the quality of the completed project.

The **Cost Approach** provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility whether by purchase or construction.

For the property interests in Group III, which are land yet to be developed, we have adopted the Market Approach by making reference to sales comparables as available in the relevant market.

The **Market Approach** provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. By analyzing such sales, which qualify as ‘arms-length’ transactions, between willing buyers and sellers, adjustments are made for size, location, time, amenities and other relevant factors when comparing such sales prices to assess the value of the subject asset. This approach is commonly used to value assets where reliable sales evidence of assets of a similar nature is available.

SOURCES OF INFORMATION

Although we have made independent enquires as much as possible, we have relied to a very considerable extent on the information provided by the Company and have accepted such information given to us as being true and correct for valuation purposes. This has included such matters as particulars of occupancies, ownership titles, lettings, site and floor areas, statutory notices, easements, tenures, joint venture agreements, the identification of the property interests and all other relevant matters. Dimensions, measurements and areas included in the valuation summaries are based on information provided to us by the Company, that we assume to be true and correct for valuation purposes.

In carrying out the valuations, we have relied on the rental information supplied of leases in the properties effective on or before the September 30, 2019. We believe this to be adequate for valuation proposes. We have made no reference to any leases that became effective from October 1, 2019, onwards. Our independent research has included making reference to our internal data base, and those of government departments, researching open market transactions, and discussions with market practitioners. We have verified information to the extent possible.

Inspections of the properties have been made as detailed below.

TITLE DOCUMENTS

We have been provided with copies or extracts of some title documents relating to the Properties and have made relevant enquiries where possible. Due to the nature of the land registration system in the PRC, we have not examined the original documents to verify the existing titles to the property interests the PRC or any material encumbrances that might be attached to the property interests or any lease amendments. We have made assumptions that the full and proper ownership title of the Properties has been obtained and all payable land premium or land-use rights fees have been fully settled.

We have relied on the advices given by the Group's legal adviser, Global Law Office, regarding the titles of the property interests in the PRC. We don't accept liability for any interpretation that we have placed on such information, which is more properly placed within the sphere of the legal adviser.

VALUATION ASSUMPTIONS AND CAVEATS

Our valuations have been made on the assumption that the owners can sell any of the Properties on the open market without the benefit of deferred terms contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of the Properties.

No allowances have been made in our valuations for any charges, mortgages or amounts owing on the Properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all Properties are free of any encumbrances, restrictions and outgoings of an onerous nature which could affect its values.

We have conducted the valuations assuming:

- The information about the Properties provided by the Company is true and correct.
- The Properties are free from environmental problems and contamination and the ground conditions are satisfactory.
- We have assumed proper title of all the Properties has been obtained, and the Property and the interest valued therein can be freely transferred, mortgaged and let in the market.
- All required approvals and certificates necessary for any development and occupation and use of the Properties have been duly obtained and are in full force and effect.
- In valuing the Properties held by the Company under development in the PRC, we have valued such properties on the basis that they will be developed and completed in

accordance with the latest development proposals provided to us. We have further assumed that all consents, approvals and licenses from relevant government authorities for such development proposals have been or will be obtained without onerous conditions or delays.

- The current tenancies of the Properties are of good covenant and will run the full term of their leases at the current contracted rental levels.
- We have valued the portfolio assuming no reduction in value to reflect any possible diminution in value resulting from a placing of the portfolio on the market together as one at the same time for sale.
- We are not aware of any easements or rights-of-way adversely affecting the properties and our valuations assume that none exists.
- We have assumed that all information, estimates and opinions furnished to us and contained in this report, including all information provided by the Company, are fit for valuation purposes, and have been obtained from sources considered reliable and believed to be true and correct. We assume no responsibility for accuracy.
- We have assumed that the Property has been constructed, occupied and used in full compliance with, and without contravention of, all relevant laws, ordinances and statutory requirements.
- We have assumed that, for any use (s) of the Property upon which this valuation report is based, any and all required licences, permits, certificates, and authorisations have been obtained, and are capable of renewal without difficulty.
- Where applicable no structural survey or testing of the services within or connected to the properties has been carried out. As appropriate we have assumed the properties are structurally sound, maintained in a condition fit for purpose, with all provided services in working order.
- Other assumptions used are set out in the valuation summaries attached hereto.

SITE MEASUREMENT

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the Properties but have assumed that the site area information provided to us is true and correct in all respects, for valuation purposes. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

SITE INSPECTION

We have inspected the Properties upon the instruction from the Company.

Site inspections of the Properties were carried out by Flora He, Dongbao Xu, Bill Zhou, Kyle Zeng, Henry Zhou, Kim Jin, Leo Sun, Chloe Wang, Aurora Chen, Yuqi Yang, Gladys Liu, Will Lin and Yan Xu from 29 July 2019 to 16 August 2019.

Please be advised we have not carried out investigations to determine the suitability of the ground conditions and the services etc. for any future development. Our valuations have been prepared on the assumption that these aspects are satisfactory.

Moreover, we have not carried out any structural surveys or environmental assessments and are unable to report on issues such as rot, infestation or any other structural defects.

No tests were carried out on any of the services. We have assumed such are in good order for the purpose of valuation.

CURRENCY

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

We hereby certify that we have neither present nor a prospective interest in the Properties or the values reported.

Our valuation summaries are attached hereto.

Yours faithfully,

For and on behalf of

Beijing Colliers International Real Estate Valuation Co., Ltd.

Zhirong He (Flora He)

FRICS MCOMFIN

Executive Director

Valuation and Advisory Services I China

David Faulkner

BSc (Hons) FRICS FHKIS RPS (GP) MAE

Managing Director

Valuation and Advisory Services I Asia

Note:

Ms. Zhirong He (Flora He) (RICS Registration No.:1259301), FRICS, MCOMFIN, who is a Fellow of the Royal Institution of Chartered Surveyors. Flora is head of China Valuation Services team at Colliers International. She is suitably qualified to carry out the valuations and has over 15 years' experience in the valuation of properties of this magnitude and nature in China.

Mr. David Faulkner (RICS Registration No.:58391), BSc (Hons), FRICS, FHKIS, RPS (GP) MAE, who is a Fellow of the Royal Institution of Chartered Surveyors, a Fellow Member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor under the Surveyors Registration Ordinance (Cap. 417).

Neither the valuers nor Colliers International are aware of any pecuniary interest or conflict that could reasonably be regarded as being capable of affecting the ability to give an unbiased and objective, opinion of the values of the Properties.

SCHEDULE OF VALUES CONTAINED IN VALUATION SUMMARIES

No.	PROPERTY	MARKET VALUE IN	INTEREST TO BE	MARKET VALUE IN
		EXISTING STATE AS AT SEPTEMBER 30, 2019	ATTRIBUTABLE TO THE GROUP	EXISTING STATE AS AT SEPTEMBER 30, 2019 ATTRIBUTABLE TO THE GROUP
Group I—Property Interests Held by the Group which are Completed, Stabilised and Pre-Stabilised in the PRC				
1.	Jiangsu Friend Warehouse Co., Ltd. Phase I	RMB914,000,000	100%	RMB914,000,000
2.	Jiangsu Friend Warehouse Co., Ltd. Phase II	RMB580,000,000	100%	RMB580,000,000
3.	Jiangsu Friend Warehouse Co., Ltd. Phase III	RMB1,170,000,000	100%	RMB1,170,000,000
4.	Langfang Weidu International Logistics Co., Ltd.	RMB454,000,000	100%	RMB454,000,000
5.	Dongguan Huishang Electronic Commerce Service Co., Ltd.	RMB592,000,000	100%	RMB592,000,000
6.	Dongguan Hongshang Warehouse Co., Ltd. Phase I	RMB374,000,000	100%	RMB374,000,000
7.	Dongguan Hongshang Warehouse Co., Ltd. Phase IV	RMB238,000,000	100%	RMB238,000,000
8.	Tianjin Fanbin Warehouse Services Co., Ltd. Phase I	RMB627,000,000	100%	RMB627,000,000
9.	Shenyang Yibei Warehouse Services Co., Ltd.	RMB316,000,000	100%	RMB316,000,000
10.	Guangzhou Mingyue Warehousing Co., Ltd. Phase I	RMB410,000,000	68.5%	RMB280,900,000
11.	Guangzhou Mingyue Warehousing Co., Ltd. Phase II	RMB157,000,000	68.5%	RMB107,500,000
12.	Tianjin Fanxin Warehousing Service Ltd.	RMB458,000,000	90%	RMB412,200,000
13.	Lekun Warehousing (Wuxi) Co., Ltd.	RMB483,000,000	100%	RMB483,000,000
14.	Changsha Yizhu Warehouse Services Co., Ltd. Phase I	RMB123,000,000	100%	RMB123,000,000
15.	Jilin Yiling Warehouse Services Co., Ltd.	RMB405,000,000	100%	RMB405,000,000
16.	Shanghai Yi Bian Logistics Technology Co., Ltd	RMB110,000,000	100%	RMB110,000,000
17.	Chongqing Yongxiang Warehouse Co., Ltd Phase I	RMB198,000,000	100% ¹	RMB198,000,000
Group I Sub-total:		RMB7,609,000,000		RMB7,384,600,000
Group II—Property Interests Held by the Group Under Development in the PRC				
18.	Chongqing Yongxiang Market Management Co., Ltd. Phase II&III	RMB283,000,000	100% ¹	RMB283,000,000
19.	Shanghai Yurun Meat Food Co., Ltd.	RMB1,087,000,000	74%	RMB804,400,000
20.	Changsha Yizhu Warehouse Services Co., Ltd. Phase II	RMB193,000,000	100%	RMB193,000,000
21.	Wenzhou Yirui Warehouse Services Co., Ltd.	RMB144,000,000	100%	RMB144,000,000
22.	Shanghai Jiangnan Ships and Boats Manufacturing Co., Ltd.	RMB141,000,000	100%	RMB141,000,000
23.	Fujian Pingfu Technology Development Co., Ltd.	RMB72,000,000	90%	RMB64,800,000
24.	Suzhou Yishang Quansheng Warehouse Service Co., Ltd.	RMB67,000,000	55%	RMB36,900,000
25.	Qingyuan Anqing Information Technology Development Co., Ltd.	RMB133,000,000	95%	RMB126,400,000
Group II Sub-total:		RMB2,120,000,000		RMB1,793,500,000
Group III—Property Interest Held by the Group for Future Development in the PRC				
26.	Tianjin Fanbin Warehouse Services Co., Ltd. Phase II	RMB4,000,000	100%	RMB4,000,000
27.	Wuhan Minglong Warehouse Co., Ltd.	RMB66,000,000	100%	RMB66,000,000
28.	Langfang Yizhi Hengjia Technology Co., Ltd.	RMB87,000,000	100%	RMB87,000,000
29.	Shanghai Yisi Warehouse Service Co., Ltd.	RMB68,000,000	100%	RMB68,000,000
30.	Pinghu Yixing Warehouse Services Co., Ltd.	RMB111,000,000	100%	RMB111,000,000
31.	Haining Haiyi Intelligent Equipment Co., Ltd.	RMB33,000,000	100%	RMB33,000,000
32.	Wuhan Yizhong Warehouse Services Co., Ltd.	RMB22,000,000	100%	RMB22,000,000
33.	Jieyang Yian Warehouse Services Co., Ltd.	RMB69,000,000	100%	RMB69,000,000
Group III Sub-total:		RMB460,000,000		RMB460,000,000
Grand Total:		RMB10,189,000,000		RMB9,638,100,000

Note:

- The subsidiary company of ESR Cayman Limited holds 50% of Chongqing Yongxiang's registered capital, and will acquire the remaining 50% shares at a pre-agreed price in accordance with the agreement between the shareholders.

GROUP I—PROPERTY INTERESTS HELD BY THE GROUP WHICH ARE COMPLETED, STABLISED AND PRE-STABLISED IN THE PRC

VALUATION SUMMARY 1—JIANGSU FRIEND WAREHOUSE CO., LTD. PHASE I

				MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019																				
No.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY																					
1	Nos. 718 & 818 Xinsheng Road (新生路), Huaqiao Town, Kunshan, Jiangsu Province, PRC.	The Property, known as Jiangsu Friend Warehouse Co., Ltd. Phase I (江蘇富萊德倉儲有限公司一期), is a high-standard logistics project erected on two neighboring roughly rectangular-shaped land lots with a total site area of 213,949.40 sq m. As advised by the Company, the Property was completed in 2011. It comprises four single-story warehouses and ancillary buildings with a total gross floor area (GFA) of 135,080.85 sq m. The details are listed below: <table><thead><tr><th></th><th>GFA (sq m)</th></tr></thead><tbody><tr><td>Portions</td><td></td></tr><tr><td>Warehouse A</td><td>19,746.20</td></tr><tr><td>Warehouse B</td><td>53,390.01</td></tr><tr><td>Warehouse C</td><td>49,461.90</td></tr><tr><td>Warehouse D</td><td>10,006.52</td></tr><tr><td>Office</td><td>1,503.78</td></tr><tr><td>Gate Houses</td><td>104.58</td></tr><tr><td>Pump Room & Substation</td><td>867.86</td></tr><tr><td><i>Total</i></td><td><i>135,080.85</i></td></tr></tbody></table> Pursuant to two State-owned Land-use Rights Certificates provided, the state-owned land-use rights of the Property have been granted for a term of 50 years expiring on February 13, 2054 for warehouse purposes.		GFA (sq m)	Portions		Warehouse A	19,746.20	Warehouse B	53,390.01	Warehouse C	49,461.90	Warehouse D	10,006.52	Office	1,503.78	Gate Houses	104.58	Pump Room & Substation	867.86	<i>Total</i>	<i>135,080.85</i>	As of the date of inspection, the Property was in normal operation. According to the information provided, at the Date of Valuation, the Property was subject to eight tenancies which yield a total monthly rental income of approximately RMB4,709,881, excl. property management fee and value-added tax. The latest expiry date of these tenancies is December 9, 2024. The overall occupancy rate was about 99.2%.	RMB914,000,000 (RENMINBI NINE HUNDRED FOURTEEN MILLION) 100% interest to be attributable to the Group 1: RMB914,000,000 (RENMINBI NINE HUNDRED FOURTEEN MILLION)
	GFA (sq m)																							
Portions																								
Warehouse A	19,746.20																							
Warehouse B	53,390.01																							
Warehouse C	49,461.90																							
Warehouse D	10,006.52																							
Office	1,503.78																							
Gate Houses	104.58																							
Pump Room & Substation	867.86																							
<i>Total</i>	<i>135,080.85</i>																							

Notes:

- 1) Pursuant to two State-owned Land-use Rights Certificates provided, the state-owned land-use rights of the Property located east of Yanhu Avenue and north of Xinsheng Road, Huaqiao Town, Kunshan have been granted to 江蘇富萊德倉儲有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	Expiry Date
Kun Guo Yong (2012) Di 12012111115 Hao	195,455.80	Warehouse	February 13, 2054
Kun Guo Yong (2012) Di 12012111117 Hao	18,493.60	Warehouse	February 13, 2054
<i>Total</i>	<i>213,949.40</i>		

- 2) Pursuant to nine Building Ownership Certificates provided, the building ownership of the Property located at Nos.718 & 818 Xinsheng Road, Huaqiao Town, Kunshan is vested in 江蘇富萊德倉儲有限公司. The details are listed below:

Certificate Number	Detailed Location	Building Use	GFA (sq m)
Kun Fang Quan Zheng Hua Qiao Zi Di 131053354 Hao	Building #6, No. 718 Xinsheng Road	Warehouse	19,746.20
Kun Fang Quan Zheng Hua Qiao Zi Di 131053355 Hao	Building #4, No. 818 Xinsheng Road	Warehouse	53,390.01
Kun Fang Quan Zheng Hua Qiao Zi Di 131053357 Hao	Building #3, No. 818 Xinsheng Road	Warehouse	49,461.90
Kun Fang Quan Zheng Hua Qiao Zi Di 131053356 Hao	Building #2, No. 718 Xinsheng Road	Warehouse	10,006.52
Kun Fang Quan Zheng Hua Qiao Zi Di 131053358 Hao	Building #5, No. 718 Xinsheng Road	Office	1,503.78
Kun Fang Quan Zheng Hua Qiao Zi Di 131053361 Hao	Building #1, No. 718 Xinsheng Road	Guard House	41.36
Kun Fang Quan Zheng Hua Qiao Zi Di 131053359 Hao	Building #2, No. 718 Xinsheng Road	Guard House	40.65
Kun Fang Quan Zheng Hua Qiao Zi Di 131053353 Hao	Building #1, No. 718 Xinsheng Road	Guard House	22.57
Kun Fang Quan Zheng Hua Qiao Zi Di 131053360 Hao	Building #7, No. 718 Xinsheng Road	Pump Room & Substation	867.86
Total			135,080.85

- 3) Pursuant to the Other Rights Certificates dated October 28, 2015 provided, the Property was mortgaged to 上海農商銀行濱江支行.
- 4) Pursuant to the Company Business License No. 91320583753203478Y, 江蘇富萊德倉儲有限公司 with the address of No. 718 Xinsheng Road, Huaqiao Town, Kunshan, has been in business from August 14, 2003 to January 17, 2033 with the business scope of 從事倉庫、堆場的建設及經營 (不含運輸, 不含危險化學品), 並提供物業管理服務。(依法須經批准的項目, 經相關部門批准後方可開展經營活動)
- 5) The Owner holds 100% leasehold interests of the Property.
- 6) In the course of our valuation, we have made reference to various leasing properties, which have comparable characteristics on the market. Comparables that had been selected range from RMB1.15 to 1.30 psm per day, exclusive of Value-added Tax (VAT) and property management fee. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, environment, building facilities, age/maintenance, etc. to determine the market rent of the Property. The adopted market rent of the Property, excluding VAT and property management fee, as at the Valuation Date is approximately RMB1.26 psm per day.
- 7) In DCF analysis, we have taken into account the determining factors of location, income and tenant mix of the Property and the rate of return requirement of property investors, and arrived at a discount rate of 8.50%. A terminal capitalization rate of 5.75% was applied when deriving the present value of the cash flows after 10 years. In Income Capitalisation Method, the adopted capitalization rate in our valuation is 6.40%. The capitalization rate will apply to the rental income generated until the expiry of the land-use rights of the Property.
- 8) The general description and market information of the property are summarized as below:

Location	:	The Property is located at Nos. 718 & 818 Xinsheng Road, Huaqiao Town, Kunshan, Jiangsu Province, PRC.
Transportation	:	The Property is accessible by Xinsheng Road. Two expressways, namely G2 (Beijing—Shanghai) and G1501 (Shanghai Ring Expressway) are situated near the Property to the south and east, respectively.
Nature of Surrounding Area	:	The subject area is clustered with industrial and residential developments.

- 9) We have prepared our valuation based on the following assumptions:
- the information of the Property provided by the Company is true and correct;
 - the site is free from contamination and the ground conditions are satisfactory;
 - the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
 - all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
 - the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.
- 10) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:
- 江蘇富萊德倉儲有限公司 has obtained the necessary permits and approvals for the construction work of the Property;

- 江蘇富萊德倉儲有限公司 has the right to use the land in accordance to the above mentioned state-owned land-use rights certificates. Under the premise of complying with the mortgage contract agreement hereinafter, 江蘇富萊德倉儲有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure;
 - The signed lease contracts by 江蘇富萊德倉儲有限公司 and the lessees are effective.
- 11) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Company are as follows:
- | | |
|--|----------------|
| State-owned Land-use Rights Grant Contract | Yes |
| State-owned Land-use Rights Certificate | Yes |
| Construction Land Planning Permit | Not Applicable |
| Construction Work Planning Permit | Not Applicable |
| Construction Work Commencement Permit | Not Applicable |
| Building Ownership Certificate | Yes |
| Real Estate Ownership Certificate | Not Applicable |
| Business License | Yes |

VALUATION SUMMARY 2—JIANGSU FRIEND WAREHOUSE CO., LTD. PHASE II

No.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019																
2	No. 516 Fengshan Road (逢善路), Huaqiao Town, Kunshan, Jiangsu Province, PRC.	The Property, known as Jiangsu Friend Warehouse Co., Ltd. Phase II (江蘇富萊德倉儲有限公司二期), is a high-standard logistics project erected on a roughly trapezoidal-shaped land lot with a site area of 85,136.80 sq m. As advised by the Company, the Property was completed in 2013. It comprises one single-story warehouse, two two-story warehouses and ancillary buildings with a total gross floor area (GFA) of 85,507.95 sq m. The details are listed below: <table><thead><tr><th></th><th>GFA (sq m)</th></tr></thead><tbody><tr><td>Portions</td><td></td></tr><tr><td>Warehouse A</td><td>24,329.23</td></tr><tr><td>Warehouse B</td><td>26,273.78</td></tr><tr><td>Warehouse C</td><td>34,254.47</td></tr><tr><td>Facility Rooms</td><td>613.77</td></tr><tr><td>Gate Houses</td><td>36.70</td></tr><tr><td><i>Total</i></td><td><i>85,507.95</i></td></tr></tbody></table> Pursuant to the State-owned Land-use Rights Certificate provided, the state-owned land-use rights of the Property have been granted for a term of 50 years expiring on April 25, 2056 for warehouse purposes.		GFA (sq m)	Portions		Warehouse A	24,329.23	Warehouse B	26,273.78	Warehouse C	34,254.47	Facility Rooms	613.77	Gate Houses	36.70	<i>Total</i>	<i>85,507.95</i>	As of the date of inspection, the Property was in normal operation. According to the information provided, at the Date of Valuation, the Property was subject to three tenancies which yield a total monthly rental income of RMB2,705,979, excl. property management fee and value-added tax. The latest expiry date of these tenancies is December 31, 2023. The overall occupancy rate was 100%.	RMB580,000,000 (RENMINBI FIVE HUNDRED EIGHTY MILLION) 100% interest to be attributable to the Group 1: RMB580,000,000 (RENMINBI FIVE HUNDRED EIGHTY MILLION)
	GFA (sq m)																			
Portions																				
Warehouse A	24,329.23																			
Warehouse B	26,273.78																			
Warehouse C	34,254.47																			
Facility Rooms	613.77																			
Gate Houses	36.70																			
<i>Total</i>	<i>85,507.95</i>																			

Notes:

- 1) Pursuant to the State-owned Land-use Rights Certificate, the state-owned land-use rights of the Property located east of Yanhu Avenue, Huaqiao Town, Kunshan have been granted to 江蘇富萊德倉儲有限公司. The details are listed below:

<u>Certificate Number</u>	<u>Site Area</u> (sq m)	<u>Land Use</u>	<u>Expiry Date</u>
Kun Guo Yong (2012)			
Di 12012111114 Hao	85,136.80	Warehouse	April 25, 2056
Total	85,136.80		

- 2) Pursuant to six Building Ownership Certificates provided, the building ownership of the Property located at No.516 Fengshan Road, Huaqiao Town, Kunshan is vested in 江蘇富萊德倉儲有限公司. The details are listed below:

<u>Certificate Number</u>	<u>Detailed Location</u>	<u>Building Use</u>	<u>GFA</u> (sq m)
Kun Fang Quan Zheng Hua Qiao Zi Di 131088751 Hao	Building#3	Warehouse	24,329.23
Kun Fang Quan Zheng Hua Qiao Zi Di 131088750 Hao	Building#4	Warehouse	26,273.78
Kun Fang Quan Zheng Hua Qiao Zi Di 131088753 Hao	Building#2	Warehouse	34,254.47
Kun Fang Quan Zheng Hua Qiao Zi Di 131088749 Hao	Building#6	Facility Room	613.77
Kun Fang Quan Zheng Hua Qiao Zi Di 131088748 Hao	Building#7	Guard House	18.35
Kun Fang Quan Zheng Hua Qiao Zi Di 131088747 Hao	Building#1	Guard House	18.35
Total			85,507.95

- 3) Pursuant to the Other Rights Certificates dated October 28, 2015 provided, the Property was mortgaged to 上海農商銀行濱江支行.
- 4) Pursuant to the Company Business License No. 91320583753203478Y, 江蘇富萊德倉儲有限公司 with the address of No. 718 Xinsheng Road, Huaqiao Town, Kunshan, has been in business from August 14, 2003 to January 17, 2033 with the business scope of 從事倉庫、堆場的建設及經營 (不含運輸, 不含危險化學品), 並提供物業管理服務。(依法須經批准的項目, 經相關部門批准後方可開展經營活動)
- 5) The Owner holds 100% leasehold interests of the Property.
- 6) In the course of our valuation, we have made reference to various leasing properties, which have comparable characteristics on the market. Comparables that had been selected range from RMB1.15 to 1.30 psm per day, exclusive of Value-added Tax (VAT) and property management fee. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, environment, building facilities, age/maintenance, etc. to determine the market rent of the Property. The adopted market rent of the Property, excluding VAT and property management fee, as at the Valuation Date is approximately RMB1.26 psm per day.
- 7) In DCF analysis, we have taken into account the determining factors of location, income and tenant mix of the Property and the rate of return requirement of property investors, and arrived at a discount rate of 8.50%. A terminal capitalization rate of 5.75% was applied when deriving the present value of the cash flows after 10 years. In Income Capitalisation Method, the adopted capitalization rate in our valuation is 6.40%. The capitalization rate will apply to the rental income generated until the expiry of the land-use rights of the Property.
- 8) The general description and market information of the property are summarized as below:
- | | | |
|----------------------------|---|---|
| Location | : | The Property is located at No. 516 Fengshan Road, Huaqiao Town, Kunshan, Jiangsu Province, PRC. |
| Transportation | : | The Property is accessible by Fengshan Road. Two expressways, namely G2 (Beijing—Shanghai) and G1501 (Shanghai Ring Expressway) are situated near the Property to the south and east, respectively. |
| Nature of Surrounding Area | : | The subject area is clustered with industrial and residential developments. |
- 9) We have prepared our valuation based on the following assumptions:
- the information of the Property provided by the Company is true and correct;
 - the site is free from contamination and the ground conditions are satisfactory;
 - the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
 - all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
 - the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.
- 10) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:
- 江蘇富萊德倉儲有限公司 has obtained the necessary permits and approvals for the construction work of the Property;
 - 江蘇富萊德倉儲有限公司 has the right to use the land in accordance to the above mentioned state-owned land-use rights certificates. Under the premise of complying with the mortgage contract agreement hereinafter, 江蘇富萊德倉儲有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure;
 - The signed lease contracts by 江蘇富萊德倉儲有限公司 and the lessees are effective.
- 11) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Company are as follows:
- | | |
|--|----------------|
| State-owned Land-use Rights Grant Contract | Yes |
| State-owned Land-use Rights Certificate | Yes |
| Construction Land Planning Permit | Not Applicable |
| Construction Work Planning Permit | Not Applicable |
| Construction Work Commencement Permit | Not Applicable |
| Building Ownership Certificate | Yes |
| Real Estate Ownership Certificate | Not Applicable |
| Business License | Yes |

VALUATION SUMMARY 3—JIANGSU FRIEND WAREHOUSE CO., LTD. PHASE III

No.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019																
3	No. 369 Pengqing Road (蓬青路), Huaqiao Town, Kunshan, Jiangsu Province, PRC.	The Property, known as Jiangsu Friend Warehouse Co., Ltd. Phase III (江蘇富萊德倉儲有限公司三期), is a high-standard logistics project erected on an irregular-shaped land lot with a site area of 110,793.90 sq m. As advised by the Company, the Property was completed in 2017. It comprises three four-story warehouses and ancillary buildings with a total gross floor area (GFA) of 206,417.87 sq m. The details are listed below: <table><thead><tr><th></th><th>GFA (sq m)</th></tr></thead><tbody><tr><td>Portions</td><td></td></tr><tr><td>Warehouse A & Ramp</td><td>83,330.97</td></tr><tr><td>Warehouse B & Ramp</td><td>55,969.41</td></tr><tr><td>Warehouse C & Ramp</td><td>66,226.96</td></tr><tr><td>Facility Rooms</td><td>729.29</td></tr><tr><td>Gate Houses</td><td>161.24</td></tr><tr><td><i>Total</i></td><td><i>206,417.87</i></td></tr></tbody></table> Pursuant to the Real Estate Ownership Certificate provided, the state-owned land-use rights of the Property have been granted for a term of 50 years expiring on April 25, 2056 for warehouse purposes.		GFA (sq m)	Portions		Warehouse A & Ramp	83,330.97	Warehouse B & Ramp	55,969.41	Warehouse C & Ramp	66,226.96	Facility Rooms	729.29	Gate Houses	161.24	<i>Total</i>	<i>206,417.87</i>	As of the date of inspection, the Property was in normal operation. According to the information provided, at the Date of Valuation, the Property was subject to six tenancies which yield a total monthly rental income of approximately RMB5,913,418, excl. property management fee and value-added tax. The latest expiry date of these tenancies is January 31, 2024. The overall occupancy rate was 100%.	RMB1,170,000,000 (RENMINBI ONE BILLION ONE HUNDRED SEVENTY MILLION) 100% interest to be attributable to the Group 1: RMB1,170,000,000 (RENMINBI ONE BILLION ONE HUNDRED SEVENTY MILLION)
	GFA (sq m)																			
Portions																				
Warehouse A & Ramp	83,330.97																			
Warehouse B & Ramp	55,969.41																			
Warehouse C & Ramp	66,226.96																			
Facility Rooms	729.29																			
Gate Houses	161.24																			
<i>Total</i>	<i>206,417.87</i>																			

Notes:

- 1) Pursuant to the Real Estate Ownership Certificate, the state-owned land-use rights of the Property located at No. 369 Pengqing Road, Huaqiao Town, Kunshan, and the corresponding building ownership are vested in 江蘇富萊德倉儲有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	GFA (sq m)	Building Use	Expiry Date
Su (2018) Kun Shan Shi Bu Dong Chan Quan Di 0033137 Hao	110,793.90	Warehouse	206,417.87	Warehouse	April 25, 2056
<i>Total</i>	<i>110,793.90</i>		<i>206,417.87</i>		

- 2) Pursuant to the Real Estate Registration Certificate dated May 29, 2018 provided, the Property was mortgaged to 上海市農村商業銀行股份有限公司.
- 3) Pursuant to the Company Business License No. 91320583753203478Y, 江蘇富萊德倉儲有限公司 with the address of No. 718 Xinsheng Road, Huaqiao Town, Kunshan, has been in business from August 14, 2003 to January 17, 2033 with the business scope of 從事倉庫、堆場的建設及經營 (不含運輸、不含危險化學品), 並提供物業管理服務。(依法須經批准的項目, 經相關部門批准後方可開展經營活動)
- 4) The Owner holds 100% leasehold interests of the Property.
- 5) In the course of our valuation, we have made reference to various leasing properties, which have comparable characteristics on the market. Comparables that had been selected range from RMB1.15 to 1.30 psm per day, exclusive of Value-added Tax (VAT) and

property management fee. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, environment, building facilities, age/maintenance, etc. to determine the market rent of the Property. The adopted market rent of the Property, excluding VAT and property management fee, as at the Valuation Date is approximately RMB1.30 psm per day.

- 6) In DCF analysis, we have taken into account the determining factors of location, income and tenant mix of the Property and the rate of return requirement of property investors, and arrived at a discount rate of 8.50%. A terminal capitalization rate of 5.75% was applied when deriving the present value of the cash flows after 10 years. In Income Capitalisation Method, the adopted capitalization rate in our valuation is 6.40%. The capitalization rate will apply to the rental income generated until the expiry of the land-use rights of the Property.

- 7) The general description and market information of the property are summarized as below:

Location : The Property is located at No. 369 Pengqing Road, Huaqiao Town, Kunshan, Jiangsu Province, PRC.

Transportation : The Property is accessible by Pengqing Road. Two expressways, namely G2 (Beijing—Shanghai) and G1501 (Shanghai Ring Expressway) are situated near the Property to the south and east, respectively.

Nature of Surrounding Area : The subject area is clustered with industrial and residential developments.

- 8) We have prepared our valuation based on the following assumptions:

- the information of the Property provided by the Company is true and correct;
- the site is free from contamination and the ground conditions are satisfactory;
- the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
- all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
- the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.

- 9) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:

- 江蘇富萊德倉儲有限公司 has obtained the necessary permits and approvals for the construction work of the Property;
- 江蘇富萊德倉儲有限公司 has the right to use the land in accordance to the above mentioned real estate ownership certificate. Under the premise of complying with the mortgage contract agreement hereinafter, 江蘇富萊德倉儲有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure;
- The signed lease contracts by 江蘇富萊德倉儲有限公司 and the lessees are effective.

- 10) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Company are as follows:

State-owned Land-use Rights Grant Contract	Yes
State-owned Land-use Rights Certificate	Not Applicable
Construction Land Planning Permit	Not Applicable
Construction Work Planning Permit	Not Applicable
Construction Work Commencement Permit	Not Applicable
Building Ownership Certificate	Not Applicable
Real Estate Ownership Certificate	Yes
Business License	Yes

VALUATION SUMMARY 4—LANGFANG WEIDU INTERNATIONAL LOGISTICS CO., LTD.

No.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019																
4	No. 14 Fengwu Road (凤舞道), Economic and Technical Development Zone, Langfang, Hebei Province, PRC	The Property, known as Langfang Weidu International Logistics Co., Ltd. (廊坊唯度國際物流有限公司), is a logistics project erected on a roughly trapezoidal-shaped land lot with a site area of 105,562.70 sq m. As advised by the Company, the Property was completed in 2013. It includes four single-story logistics warehouses and one four-story complex building with a total GFA of 71,686.55 sq m. Detailed GFA information of the Property is listed below: <table><tr><td></td><td>GFA (sq m)</td></tr><tr><td>Portions</td><td></td></tr><tr><td>Warehouse 1</td><td>16,317.73</td></tr><tr><td>Warehouse 2</td><td>19,301.21</td></tr><tr><td>Warehouse 3</td><td>15,081.68</td></tr><tr><td>Warehouse 4</td><td>17,812.99</td></tr><tr><td>Gate Houses</td><td>3,172.94</td></tr><tr><td><i>Total</i></td><td><u>71,686.55</u></td></tr></table> Pursuant to the State-owned Land-use Rights Certificate, the land-use rights of the Property have been granted for warehouse uses for a term of 50 years expiring on April 14, 2061.		GFA (sq m)	Portions		Warehouse 1	16,317.73	Warehouse 2	19,301.21	Warehouse 3	15,081.68	Warehouse 4	17,812.99	Gate Houses	3,172.94	<i>Total</i>	<u>71,686.55</u>	According to the information provided, at the Date of Valuation, the Property was in normal operation and was subject to one tenancy which yields a total monthly rental income of RMB 2,394,909, excl. property management fee and value-added tax. The expiration date of this tenancies is December 15, 2021. The overall occupancy rate was 100%.	RMB454,000,000 (RENMINBI FOUR HUNDRED FIFTY FOUR MILLION) 100% interest to be attributable to the Group 1: RMB454,000,000 (RENMINBI FOUR HUNDRED FIFTY FOUR MILLION)
	GFA (sq m)																			
Portions																				
Warehouse 1	16,317.73																			
Warehouse 2	19,301.21																			
Warehouse 3	15,081.68																			
Warehouse 4	17,812.99																			
Gate Houses	3,172.94																			
<i>Total</i>	<u>71,686.55</u>																			

Notes:

- 1) Pursuant to the State-owned Land-use Rights Certificate, the state-owned land-use rights of the Property located at No. 14, Feng Wu Road, Langfang Economic and Technical Development Zone, are vested in 廊坊唯度國際物流有限公司. The details are listed below:

<u>Certificate Number</u>	<u>Site Area (sq m)</u>	<u>Land Use</u>	<u>Expiry Date</u>
Lang Kai Guo Yong (2012) Di 47 Hao	105,562.70	Warehouse	April 14, 2061
Total	105,562.70		

- 2) Pursuant to the Building Ownership Certificates, the building ownership of the Property located at No. 14, Feng Wu Road, Langfang Economic and Technical Development Zone, is vested in 廊坊唯度國際物流有限公司. The details are listed below:

<u>Certificate Number</u>	<u>Detailed Location</u>	<u>Building Use</u>	<u>GFA (sq m)</u>
Lang Fang Shi Fang Quan Zheng Lang Kai Zi Di G5962	Block 1	Warehouse	16,317.73
Lang Fang Shi Fang Quan Zheng Lang Kai Zi Di G5963	Block 2	Warehouse	19,301.21
Lang Fang Shi Fang Quan Zheng Lang Kai Zi Di G5964	Block 3	Warehouse	15,081.68
Lang Fang Shi Fang Quan Zheng Lang Kai Zi Di G5965	Block 4	Warehouse	17,812.99
Lang Fang Shi Fang Quan Zheng Lang Kai Zi Di G5966	Block 5	Office	3,172.94
Total			71,686.55

- 3) Pursuant to the Real Estate Registration Certificate dated November 20, 2018 provided, the Property was mortgaged to 星展銀行 (中國) 有限公司上海分行.
- 4) Pursuant to the Company Business License No.91131000570090108E, 廊坊唯度國際物流有限公司 with the address of No. 14, Feng Wu Road, Langfang Economic and Technical Development Zone, Langfang, has been in business from March 15, 2011 to March 14, 2041

with the business scope of 倉儲（危險品、煤炭及有污染貨物除外）；房屋場地租賃，勞務服務，裝卸服務，貨物包裝服務（不含印刷），集裝箱拆箱、拼箱、修箱服務，倉儲設施安裝；物業服務（憑資質經營）；商務信息諮詢服務，物流信息諮詢服務。（國家法律、行政法規禁限經營的商品和項目除外）。

- 5) The Owner holds 100% leasehold interests of the Property.
- 6) In the course of our valuation, we have made reference to various leasing properties, which have comparable characteristics on the market. Comparables that had been selected range from RMB1.15 to 1.25 psm per day, exclusive of Value-added Tax (VAT) and property management fee. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, environment, building facilities, age/maintenance, etc. to determine the market rent of the Property. The adopted market rent of the Property, excluding VAT and property management fee, as at the Valuation Date is approximately RMB1.16 psm per day.
- 7) In DCF analysis, we have taken into account the determining factors of location, income and tenant mix of the Property and the rate of return requirement of property investors, and arrived at a discount rate of 8.75%. A terminal capitalization rate of 5.75% was applied when deriving the present value of the cash flows after 10 years. In Income Capitalisation Method, the adopted capitalization rate in our valuation is 6.40%. The capitalization rate will apply to the rental income generated until the expiry of the land-use rights of the Property.
- 8) The general description and market information of the property are summarized as below:

Location	:	The Property is located at No.14 Fengwu Road, Economic and Technical Development Zone, Langfang, Hebei Province, PRC.
Transportation	:	The Property is accessible by Fengwu Road, which is a dual way road running in an east-west direction. Yinghe North Road (銀河北路) is a two-lane dual way road to the east of the Property that provides easy access to the downtown area of Langfang as well as to Langfang Railway Station.
Nature of Surrounding Area	:	The Property is situated in the Economic and Technical Development Zone, in the northern part of Langfang. There are several industrial properties, residential properties and other amenities near the Property.
- 9) We have prepared our valuation based on the following assumptions:
 - the information of the Property provided by the Company is true and correct;
 - the site is free from contamination and the ground conditions are satisfactory;
 - the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
 - all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
 - the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.
- 10) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:
 - 廊坊唯度國際物流有限公司 has obtained the necessary permits and approvals for the construction work of the Property;
 - 廊坊唯度國際物流有限公司 has the right to use the land in accordance to the above mentioned state-owned land-use rights certificates. Under the premise of complying with the mortgage contract agreement hereinafter, 廊坊唯度國際物流有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure;
 - The signed lease contracts by 廊坊唯度國際物流有限公司 and the lessees are effective.
- 11) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Company are as follows:

Land-use Rights Grant Contract	No
State-owned Land-use Rights Certificate	Yes
Construction Land Planning Permit	Not Applicable
Construction Work Planning Permit	Not Applicable
Construction Work Commencement Permit	Not Applicable
Building Ownership Certificate	Yes
Real Estate Ownership Certificate	Not Applicable
Business License	Yes

VALUATION SUMMARY 5—DONGGUAN HUISHANG ELECTRONIC COMMERCE SERVICE CO., LTD.

No.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019														
5	Xinji Village (新基村), Machong Town, Dongguan City, Guangdong Province, PRC	The Property, known as Dongguan Huishang Electronic Commerce Service Co., Ltd. (東莞匯商電子商務服務有限公司), is a logistics project erected on an irregularly-shaped land lot with a site area of approximately 123,550.51 sq m. As advised by the Company, the Property was completed in 2014. It comprises four single-story warehouses. According to the information provided, the Property has a total gross floor area (GFA) of approximately 85,066.34 sq m. The details are listed below: <table><tr><td></td><td>GFA (sq m)</td></tr><tr><td>Portions</td><td></td></tr><tr><td>Warehouse A</td><td>25,374.59</td></tr><tr><td>Warehouse B</td><td>26,881.87</td></tr><tr><td>Warehouse C</td><td>11,536.06</td></tr><tr><td>Warehouse D</td><td>21,273.82</td></tr><tr><td>Total</td><td>85,066.34</td></tr></table> Pursuant to the Real Estate Ownership Certificates provided, the state-owned land-use rights of the Property have been granted for a term of 50 years expiring on February 17, 2062 for industrial purposes.		GFA (sq m)	Portions		Warehouse A	25,374.59	Warehouse B	26,881.87	Warehouse C	11,536.06	Warehouse D	21,273.82	Total	85,066.34	As of the date of inspection, the Property was in normal operation. According to the information provided, at the Date of Valuation, the Property was subject to one tenancy which yields a total monthly rental income of approximately RMB3,042,841, excl. property management fee and value-added tax. The expiration date of the tenancy is May 31, 2021. The overall occupancy rate was 100%.	RMB592,000,000 (RENMINBI FIVE HUNDRED NINETY TWO MILLION) 100% interest to be attributable to the Group 1: RMB592,000,000 (RENMINBI FIVE HUNDRED NINETY TWO MILLION)
	GFA (sq m)																	
Portions																		
Warehouse A	25,374.59																	
Warehouse B	26,881.87																	
Warehouse C	11,536.06																	
Warehouse D	21,273.82																	
Total	85,066.34																	

Notes:

- 1) Pursuant to the Real Estate Ownership Certificates, the state-owned land-use rights of the Property located at Xinji Village, Machong Town, Dongguan City, the corresponding building ownership are vested in 東莞匯商電子商務服務有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	GFA (sq m)	Building Use	Expiry Date
Yue Fang Di Quan Zheng Guan Zi Di 0900912122 Hao ...			25,374.59	Non- residential (Industrial)	
Yue Fang Di Quan Zheng Guan Zi Di 0900912123 Hao ...	123,550.51	Non- residential (Industrial)	26,881.87	Non- residential (Industrial)	February 17, 2062
Yue Fang Di Quan Zheng Guan Zi Di 0900912124 Hao ...			11,536.06	Non- residential (Industrial)	
Yue Fang Di Quan Zheng Guan Zi Di 0900912125 Hao ...			21,273.82	Non- residential (Industrial)	
Total	123,550.51		85,066.34		

- 2) Pursuant to the Real Estate Registration Certificate dated December 28, 2016 provided, the Property was mortgaged to 上海農商銀行濱江支行.
- 3) Pursuant to the Company Business License No.914419005863609934, 東莞匯商電子商務服務有限公司 with the address of Xinji Village, Machong Town, Dongguan City, has been in business in the term from December 21, 2011 to December 21, 2061 with the business scope of 倉儲服務 (不含化學危險品); 物業管理服務; 倉儲設施經營; 企業管理諮詢; 物業管理諮詢 (涉限除外, 涉及國家專項規定的按有關規定辦理)。(依法須經批准的項目, 經相關部門批准後方可開展經營活動)
- 4) The Owner holds 100% leasehold interests of the Property.

- 5) In the course of our valuation, we have made reference to various leasing properties, which have comparable characteristics on the market. Comparables that had been selected range from RMB1.15 to 1.25 psm per day, exclusive of Value-added Tax (VAT) and property management fee. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, environment, building facilities, age/maintenance, etc. to determine the market rent of the Property. The adopted market rent of the Property, excluding VAT and property management fee, as at the Valuation Date is approximately RMB1.22 psm per day.
- 6) In DCF analysis, we have taken into account the determining factors of location, income and tenant mix of the Property and the rate of return requirement of property investors, and arrived at a discount rate of 8.50%. A terminal capitalization rate of 5.75% was applied when deriving the present value of the cash flows after 10 years. In Income Capitalisation Method, the adopted capitalization rate in our valuation is 6.40%. The capitalization rate will apply to the rental income generated until the expiry of the land-use rights of the Property.
- 7) The general description and market information of the property are summarized as below:
- | | | |
|----------------------------|---|--|
| Location | : | The Property is located at Xinji Village, Machong Town, Dongguan City, Guangdong Province, PRC |
| Transportation | : | The Property is accessible via Donghuan Road (東環路) and Machong Avenue (麻涌大道). The Beijing-Hongkong-Macau Highway (京港澳高速) is located to the east of the Property. |
| Nature of Surrounding Area | : | The subject area is clustered with industrial developments. |
- 8) We have prepared our valuation based on the following assumptions:
- the information of the Property provided by the Company is true and correct;
 - the site is free from contamination and the ground conditions are satisfactory;
 - the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
 - all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
 - the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.
- 9) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:
- 東莞匯商電子商務服務有限公司 has obtained the necessary permits and approvals for the construction work of the Property;
 - 東莞匯商電子商務服務有限公司 has the right to use the land in accordance to the above mentioned real estate ownership certificates. Under the premise of complying with the mortgage contract agreement hereinafter, 東莞匯商電子商務服務有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure;
 - The signed lease contracts by 東莞匯商電子商務服務有限公司 and the lessees are effective.
- 10) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Company are as follows:
- | | |
|--|----------------|
| State-owned Land-use Rights Grant Contract | Yes |
| State-owned Land-use Rights Certificate | Not Applicable |
| Construction Land Planning Permit | Not Applicable |
| Construction Work Planning Permit | Not Applicable |
| Construction Work Commencement Permit | Not Applicable |
| Building Ownership Certificate | Not Applicable |
| Real Estate Ownership Certificate | Yes |
| Business License | Yes |

VALUATION SUMMARY 6—DONGGUAN HONGSHANG WAREHOUSE CO., LTD. PHASE I

No.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019												
6	Hongwuwo Village (洪屋渦村), Hongmei Town, Dongguan, Guangdong Province, PRC	The Property, known as Dongguan Hongshang Warehouse Co., Ltd. Phase I (東莞鴻商倉儲服務有限公司一期), is a logistics project erected on an irregular-shaped land lot with a site area of 102,017.30 sq m. As advised by the Company, the Property was completed in 2015. It comprises three single-story warehouses with a total gross floor area (GFA) of approximately 62,342.77 sq m. The details are listed below: <table><thead><tr><th></th><th>GFA (sq m)</th></tr></thead><tbody><tr><td>Portions</td><td></td></tr><tr><td>Warehouse 1</td><td>27,056.75</td></tr><tr><td>Warehouse 2</td><td>23,783.75</td></tr><tr><td>Warehouse 3</td><td>11,502.27</td></tr><tr><td><i>Total</i></td><td><u>62,342.77</u></td></tr></tbody></table> Pursuant to the Real Estate Ownership Certificates provided, the state-owned land-use rights of the Property have been granted for a term of 50 years expiring on November 14, 2063 for warehouse purposes.		GFA (sq m)	Portions		Warehouse 1	27,056.75	Warehouse 2	23,783.75	Warehouse 3	11,502.27	<i>Total</i>	<u>62,342.77</u>	As of the date of inspection, the Property was in normal operation. According to the information provided, at the Date of Valuation, the Property was subject to two tenancies which yield a total monthly rental income of approximately RMB1,803,312, excl. property management fee and value-added tax. The latest expiration date of these tenancies is January 31, 2025. The overall occupancy rate was 100%.	RMB374,000,000 (RENMINBI THREE HUNDRED SEVENTY FOUR MILLION) 100% interest to be attributable to the Group 1: RMB374,000,000 (RENMINBI THREE HUNDRED SEVENTY FOUR MILLION)
	GFA (sq m)															
Portions																
Warehouse 1	27,056.75															
Warehouse 2	23,783.75															
Warehouse 3	11,502.27															
<i>Total</i>	<u>62,342.77</u>															

Notes:

- 1) Pursuant to the Real Estate Ownership Certificates, the state-owned land-use rights of the Property located at Hongwuwo Village, Hongmei Town, Dongguan City, and the corresponding building ownership are vested in 東莞鴻商倉儲服務有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	GFA (sq m)	Building Use	Expiry Date
Yue Fang Di Quan Zheng Guan Zi Di 1300902319 Hao			27,056.75	Non-residential (Industrial)	
Yue Fang Di Quan Zheng Guan Zi Di 1300902320 Hao	102,017.30	Warehouse	23,783.75	Non-residential (Industrial)	November 14, 2063
Yue Fang Di Quan Zheng Guan Zi Di 1300902318 Hao			11,502.27	Non-residential (Industrial)	
Total	102,017.30		62,342.77		

- 2) Pursuant to the Real Estate Registration Certificate dated December 28, 2016 provided, the Property was mortgaged to 上海農商銀行濱江支行.
- 3) Pursuant to the Company Business License No.914419000667183303, 東莞鴻商倉儲服務有限公司 with the address of No.11 Zhongxing Road, Hongmei Town, Dongguan City has been in business in the term from June 24, 2013 to June 24, 2063 with the business scope of 倉儲服務 (除危險品除外); 企業管理服務、商務信息諮詢服務、物業管理項目 (涉險除外, 涉及國家專項規定的按有關規定辦理)。(依法須經批准的項目, 經相關部門批准後方可開展經營活動)
- 4) The Owner holds 100% leasehold interests of the Property.
- 5) In the course of our valuation, we have made reference to various leasing properties, which have comparable characteristics on the market. Comparables that had been selected range from RMB1.05 to 1.25 psm per day, exclusive of Value-added Tax (VAT) and property management fee. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, environment, building facilities, age/maintenance, etc. to determine the market rent of the Property. The adopted market rent of the Property, excluding VAT and property management fee, as at the Valuation Date is approximately RMB1.11 psm per day.

- 6) In DCF analysis, we have taken into account the determining factors of location, income and tenant mix of the Property and the rate of return requirement of property investors, and arrived at a discount rate of 8.75%. A terminal capitalization rate of 6.00% was applied when deriving the present value of the cash flows after 10 years. In Income Capitalisation Method, the adopted capitalization rate in our valuation is 6.60%. The capitalization rate will apply to the rental income generated until the expiry of the land-use rights of the Property
- 7) The general description and market information of the property are summarized as below:

Location	:	The Property is located west of Wangsha Road (望沙路), Hongmei Town, Dongguan City, Guangdong Province, PRC.
Transportation	:	The Property is accessible by Wangsha Road. S3 Guangshen Yanjiang Highway (廣深沿江高速) is situated near the Property to the west.
Nature of Surrounding Area	:	The subject area is clustered with industrial developments.

- 8) We have prepared our valuation based on the following assumptions:
- the information of the Property provided by the Company is true and correct;
 - the site is free from contamination and the ground conditions are satisfactory;
 - the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
 - all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
 - the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.
- 9) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:
- 東莞鴻商倉儲服務有限公司 has obtained the necessary permits and approvals for the construction work of the Property;
 - 東莞鴻商倉儲服務有限公司 has the right to use the land in accordance to the above mentioned real estate ownership certificates. Under the premise of complying with the mortgage contract agreement hereinafter, 東莞鴻商倉儲服務有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure;
 - The signed lease contracts by 東莞鴻商倉儲服務有限公司 and the lessees are effective.
- 10) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Company are as follows:
- | | |
|--|----------------|
| State-owned Land-use Rights Grant Contract | Yes |
| State-owned Land-use Rights Certificate | Not Applicable |
| Construction Land Planning Permit | Not Applicable |
| Construction Work Planning Permit | Not Applicable |
| Construction Work Commencement Permit | Not Applicable |
| Building Ownership Certificate | Not Applicable |
| Real Estate Ownership Certificate | Yes |
| Business License | Yes |

VALUATION SUMMARY 7—DONGGUAN HONGSHANG WAREHOUSE CO., LTD. PHASE IV

No.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019												
7	Hongwuwo Village (洪屋渦村), Hongmei Town, Dongguan, Guangdong Province, PRC	The Property, known as Dongguan Hongshang Warehouse Co., Ltd. Phase IV (東莞鴻商倉儲服務有限公司四期), is a logistics project erected on a roughly rectangular-shaped land lot with a site area of 69,260.50 sq m. As advised by the Company, the Property was completed in 2016. It comprises two one-story warehouses and a two-story facility building with a total gross floor area (GFA) of approximately 40,383.04 sq m. The details are listed below: <table><tr><td></td><td>GFA (sq m)</td></tr><tr><td>Portions</td><td></td></tr><tr><td>Warehouse 1</td><td>21,296.17</td></tr><tr><td>Warehouse 2</td><td>17,504.20</td></tr><tr><td>Ancillary Buildings ..</td><td><u>1,582.67</u></td></tr><tr><td>Total</td><td><u>40,383.04</u></td></tr></table> Pursuant to the Real Estate Ownership Certificates provided, the state-owned land-use rights of the Property have been granted for a term of 50 years expiring on May 9, 2062 for warehouse purposes.		GFA (sq m)	Portions		Warehouse 1	21,296.17	Warehouse 2	17,504.20	Ancillary Buildings ..	<u>1,582.67</u>	Total	<u>40,383.04</u>	As of the date of inspection, the Property was in normal operation. According to the information provided, at the Date of Valuation, the Property was subject to three tenancies which yield a total monthly rental income of approximately RMB1,181,205 excl. property management fee and value-added tax. The latest expiration date of these tenancies is May 14, 2023. The overall occupancy rate was 100%.	RMB238,000,000 (RENMINBI TWO HUNDRED THIRTY EIGHT MILLION) 100% interest to be attributable to the Group 1: RMB238,000,000 (RENMINBI TWO HUNDRED THIRTY EIGHT MILLION)
	GFA (sq m)															
Portions																
Warehouse 1	21,296.17															
Warehouse 2	17,504.20															
Ancillary Buildings ..	<u>1,582.67</u>															
Total	<u>40,383.04</u>															

Notes:

- 1) Pursuant to the Real Estate Ownership Certificates, the state-owned land-use rights of the Property located at Hongwuwo Village, Hongmei Town, Dongguan, the corresponding building ownership is vested in 東莞鴻商倉儲服務有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	GFA (sq m)	Building Use	Expiry Date
Yue (2017) Dong Guan Bu Dong Chan Quan Di 0048819 Hao			21,296.17		May 9, 2062
Yue (2017) Dong Guan Bu Dong Chan Quan Di 0048855 Hao	69,260.50	Warehouse	17,504.20	Warehouse	May 9, 2062
Yue (2017) Dong Guan Bu Dong Chan Quan Di 0051777 Hao			1,582.67		May 9, 2062
<i>Total</i>	<i>69,260.50</i>		<i>40,383.04</i>		

- 2) Pursuant to the Real Estate Registration Certificate dated May 27, 2017 provided, the Property was mortgaged to 上海農商銀行濱江支行.
- 3) Pursuant to the Company Business License No.914419000667183303, 東莞鴻商倉儲服務有限公司 with the address of No.11 Zhongxing Road, Hongmei Town, Dongguan City has been in business in the term from June 24, 2013 to June 24, 2063 with the business scope of 倉儲服務 (除危險品除外); 企業管理服務、商務信息諮詢服務、物業管理項目 (涉限除外, 涉及國家專項規定的按有關規定辦理)。 (依法須經批准的項目, 經相關部門批准後方可開展經營活動。)
- 4) The Owner holds 100% leasehold interests of the Property.
- 5) In the course of our valuation, we have made reference to various leasing properties, which have comparable characteristics on the market. Comparables that had been selected range from RMB1.05 to 1.25 psm per day, exclusive of Value-added Tax (VAT) and property management fee. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, environment, building facilities, age/maintenance, etc. to determine the market rent of the Property. The adopted market rent of the Property, excluding VAT and property management fee, as at the Valuation Date is approximately RMB1.11 psm per day.
- 6) In DCF analysis, we have taken into account the determining factors of location, income and tenant mix of the Property and the rate of return requirement of property investors, and arrived at a discount rate of 8.75%. A terminal capitalization rate of 6.00% was applied when deriving the present value of the cash flows after 10 years. In Income Capitalisation Method, the adopted capitalization rate in our

valuation is 6.60%. The capitalization rate will apply to the rental income generated until the expiry of the land-use rights of the Property.

- 7) The general description and market information of the property are summarized as below:

Location	: The Property is located west of Wangsha Road (望沙路), Hongmei Town, Dongguan City, Guangdong Province, PRC.
Transportation	: The Property is accessible by Wangsha Road. S3 Guangshen Yanjiang Highway (廣深沿江高速) is situated near the Property to the west.
Nature of Surrounding Area	: The subject area is clustered with industrial developments.

- 8) We have prepared our valuation based on the following assumptions:

- the information of the Property provided by the Company is true and correct;
- the site is free from contamination and the ground conditions are satisfactory;
- the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
- all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
- the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.

- 9) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:

- 東莞鴻商倉儲服務有限公司 has obtained the necessary permits and approvals for the construction work of the Property;
- 東莞鴻商倉儲服務有限公司 has the right to use the land in accordance to the above mentioned real estate ownership certificates. Under the premise of complying with the mortgage contract agreement hereinafter, 東莞鴻商倉儲服務有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure;
- The signed lease contracts by 東莞鴻商倉儲服務有限公司 and the lessees are effective.

- 10) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Company are as follows:

State-owned Land-use Rights Grant Contract	Yes
State-owned Land-use Rights Certificate	Not Applicable
Construction Land Planning Permit	Not Applicable
Construction Work Planning Permit	Not Applicable
Construction Work Commencement Permit	Not Applicable
Building Ownership Certificate	Not Applicable
Real Estate Ownership Certificate	Yes
Business License	Yes

VALUATION SUMMARY 8—TIANJIN FANBIN WAREHOUSE SERVICES CO., LTD. PHASE I

No.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019										
8	No.78 Fuyuan Avenue (復元道), Dawangguzhuang Town, Wuqing District, Tianjin, PRC	The Property, known as Tianjin Fanbin Warehouse Services Co., Ltd. Phase I (天津凡濱倉儲服務有限公司一期), is a logistics project erected on a roughly rectangular-shaped land lot with a total site area of 172,546.40 sq m. As advised by the Company, the Property was completed in 2015. Completed portion includes six single-story warehouses, named A, B, C, D, E and F, and an annex building and one guard room with a total gross floor area (GFA) of 106,615.78 sq m. The details are listed below: <table><tr><td></td><td>GFA (sq m)</td></tr><tr><td>Portions</td><td></td></tr><tr><td>Warehouses</td><td>105,166.37</td></tr><tr><td>Ancillary Building ..</td><td>1,449.41</td></tr><tr><td><i>Total</i></td><td><i>106,615.78</i></td></tr></table> Pursuant to the Real Estate Ownership Certificate provided, the state-owned land-use rights of the Property have been granted for a term of 50 years expiring on February 11, 2064 for warehouse purposes.		GFA (sq m)	Portions		Warehouses	105,166.37	Ancillary Building ..	1,449.41	<i>Total</i>	<i>106,615.78</i>	As of the date of inspection, the Property was in normal operation. According to the information provided, at the Date of Valuation, the Property was subject to four tenancies which yield a total monthly rental income of approximately RMB2,958,479, excl. property management fee and value-added tax. The latest expiry date of these tenancies is March 31, 2021. The overall occupancy rate was 100%.	RMB627,000,000 (RENMINBI SIX HUNDRED TWENTY SEVEN MILLION) 100% interest to be attributable to the Group 1: RMB627,000,000 (RENMINBI SIX HUNDRED TWENTY SEVEN MILLION)
	GFA (sq m)													
Portions														
Warehouses	105,166.37													
Ancillary Building ..	1,449.41													
<i>Total</i>	<i>106,615.78</i>													

Notes:

- 1) Pursuant to the Real Estate Ownership Certificate, the state-owned land-use rights of the Property, located at No. 78 Fuyuan Avenue, Dawangguzhuang Town, Wuqing District, and the corresponding building ownership are vested in 天津凡濱倉儲服務有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	GFA (sq m)	Building Use	Expiry Date
Jin (2016) Wu Qing Qu Bu					
Dong Chan Quan Di 1038297 Hao	172,546.40	Warehouse	106,615.78	Non-residential	February 11, 2064
Total	172,546.40		106,615.78		

- 2) Pursuant to the Real Estate Registration Certificate dated May 24, 2019 provided, the Property was mortgaged to 上海農村商業銀行股份有限公司濱江支行 and 星展銀行 (中國) 有限公司上海分行.
- 3) Pursuant to the Company Business License No.91120222075910869L, 天津凡濱倉儲服務有限公司 with the address of No. 78 Fuyuan Avenue, Dawangguzhuang Town, Wuqing District, Tianjin, has been in business from August 22, 2013 to August 21, 2043 with the business scope of 倉儲服務 (易燃、易爆、易制毒、危險化學品除外)、企業管理服務、商務信息諮詢服務、物業服務; 倉儲貨架、紙質包裝品 (印刷除外) 生產; 自有倉庫及倉儲設施租賃。(依法須經批准的項目, 經相關部門批准後方可開展經營活動)
- 4) The Owner holds 100% leasehold interests of the Property.
- 5) In the course of our valuation, we have made reference to various leasing properties, which have comparable characteristics on the market. Comparables that had been selected range from RMB1.05 to 1.20 psm per day, exclusive of Value-added Tax (VAT) and property management fee. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, environment, building facilities, age/maintenance, etc. to determine the market rent of the Property. The adopted market rent of the Property, excluding VAT and property management fee, as at the Valuation Date is approximately RMB1.06 psm per day.
- 6) In DCF analysis, we have taken into account the determining factors of location, income and tenant mix of the Property and the rate of return requirement of property investors, and arrived at a discount rate of 8.50% A terminal capitalization rate of 5.75% was applied

when deriving the present value of the cash flows after 10 years. In Income Capitalisation Method, the adopted capitalization rate in our valuation is 6.40%. The capitalization rate will apply to the rental income generated until the expiry of the land-use rights of the Property.

- 7) The general description and market information of the property are summarized as below:

Location	:	The Property is located at No.78 Fuyuan Avenue, Dawangguzhuang Town, Wuqing District, Tianjin, PRC.
Transportation	:	The Property is accessible by Fuyuan Avenue (復元道) and an anonymous path, of which the former is a two-lane dual-way road and the latter is a two-lane road.
Nature of Surrounding Area	:	The subject area is clustered with a number of industrial factories, warehouse properties and residential and public facilities.

- 8) We have prepared our valuation based on the following assumptions:

- the information of the Property provided by the Company is true and correct;
- the site is free from contamination and the ground conditions are satisfactory;
- the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
- all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
- the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.

- 9) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:

- 天津凡濱倉儲服務有限公司 has obtained the necessary permits and approvals for the construction work of the Property;
- 天津凡濱倉儲服務有限公司 has the right to use the land in accordance to the above mentioned real estate ownership certificate. Under the premise of complying with the mortgage contract agreement hereinafter, 天津凡濱倉儲服務有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure;
- The signed lease contracts by 天津凡濱倉儲服務有限公司 and the lessees are effective.

- 10) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Company are as follows:

State-owned Land-use Rights Grant Contract	Yes
State-owned Land-use Rights Certificate	Not Applicable
Construction Land Planning Permit	Not Applicable
Construction Work Planning Permit	Not Applicable
Construction Work Commencement Permit	Not Applicable
Building Ownership Certificate	Not Applicable
Real Estate Ownership Certificate	Yes
Business License	Yes

VALUATION SUMMARY 9—SHENYANG YIBEI WAREHOUSE SERVICES CO., LTD.

No.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019														
9	No.1 Dongxuehu Street (冬雪湖街), Shenbei New District, Shenyang, Liaoning Province, PRC	The Property, known as Shenyang Yibei Warehouse Services Co., Ltd. (瀋陽易北倉儲服務有限公司), is located along Dongxuehu Street, Shenbei New District. The Property is a logistics project with a site area of 120,400.00 sq m. As advised by the Company, the Property was completed in 2018. It comprises three single-story warehouses and ancillary facilities with a total gross floor area (GFA) of approximately 74,442.02 sq m. The details are listed below: <table><tr><td></td><td>GFA (sq m)</td></tr><tr><td>Portions</td><td></td></tr><tr><td>Warehouse A</td><td>24,559.43</td></tr><tr><td>Warehouse B</td><td>24,615.92</td></tr><tr><td>Warehouse C</td><td>24,615.92</td></tr><tr><td>Facility Room</td><td>650.75</td></tr><tr><td><i>Total</i></td><td><i>74,442.02</i></td></tr></table> Pursuant to the Real Estate Ownership Certificates provided, the state-owned land-use rights of the Property have been granted for a term of 50 years expiring on July 17, 2066 for warehouse purposes.		GFA (sq m)	Portions		Warehouse A	24,559.43	Warehouse B	24,615.92	Warehouse C	24,615.92	Facility Room	650.75	<i>Total</i>	<i>74,442.02</i>	According to the information provided, at the Date of Valuation, the Property was in normal operation and was subject to three tenancies which yield a total monthly rental income of approximately RMB 1,030,898, excl. property management fee and value-added tax. The latest expiration date of these tenancies is August 31, 2023. The overall occupancy rate was about 57.0%.	RMB316,000,000 (RENMINBI THREE HUNDRED SIXTEEN MILLION) 100% interest to be attributable to the Group 1: RMB316,000,000 (RENMINBI THREE HUNDRED SIXTEEN MILLION)
	GFA (sq m)																	
Portions																		
Warehouse A	24,559.43																	
Warehouse B	24,615.92																	
Warehouse C	24,615.92																	
Facility Room	650.75																	
<i>Total</i>	<i>74,442.02</i>																	

Notes:

- 1) Pursuant to the Real Estate Ownership Certificates, the state-owned land-use rights of the Property located at No. 1 Dongxuehu Street, Shenbei New District, Shenyang, and the corresponding building ownership are vested in 瀋陽易北倉儲服務有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	GFA (sq m)	Building Use	Expiry Date
Liao (2018) Shen Yang Shi Bu Dong Chan Quan Di 0545560 Hao			24,559.43	Warehouse	
Liao (2018) Shen Yang Shi Bu Dong Chan Quan Di 0545557 Hao	120,400.00	Warehouse	24,615.92	Warehouse	July 17, 2066
Liao (2018) Shen Yang Shi Bu Dong Chan Quan Di 0545559 Hao			24,615.92	Warehouse	
Liao (2018) Shen Yang Shi Bu Dong Chan Quan Di 0545552 Hao			650.75	Other	
<i>Total</i>	<i>120,400.00</i>		<i>74,442.02</i>		

- 2) Pursuant to the Real Estate Registration Certificate dated April 1, 2019 and June 25, 2019 provided, the Property was mortgaged to 交通銀行股份有限公司上海松江支行 and 星展銀行 (中國) 有限公司上海分行 respectively.
- 3) Pursuant to the Company Business License No.91210100MA0P479D47, 瀋陽易北倉儲服務有限公司 with the address of No. 1 Dongxuehu Street, Shenbei New District, Shenyang, has been in business from December 8, 2015 to December 7, 2065 with the business

scope of 從事倉儲服務（不含危險化學品）；工業設施、倉儲設施的建設及經營；普通貨物倉儲及自有倉庫出租；物業管理；技術諮詢、技術服務；商務信息諮詢。（依法須經批准的項目，經相關部門批准後方可開展經營活動）

- 4) The Owner holds 100% leasehold interests of the Property.
- 5) In the course of our valuation, we have made reference to various leasing properties, which have comparable characteristics on the market. Comparables that had been selected range from RMB0.70 to 0.95 psm per day, exclusive of Value-added Tax (VAT) and property management fee. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, environment, building facilities, age/maintenance, etc. to determine the market rent of the Property. The adopted market rent of the Property, excluding VAT and property management fee, as at the Valuation Date is approximately RMB0.81 psm per day.
- 6) In DCF analysis, we have taken into account the determining factors of location, income and tenant mix of the Property and the rate of return requirement of property investors, and arrived at a discount rate of 8.75%. A terminal capitalization rate of 6.00% was applied when deriving the present value of the cash flows after 10 years. In Income Capitalisation Method, the adopted capitalization rate in our valuation is 6.85%. The capitalization rate will apply to the rental income generated until the expiry of the land-use rights of the Property.
- 7) The general description and market information of the property are summarized as below:

Location	:	The Property is located at No.1 Dongxuehu Street, Shenbei New District, Shenyang, Liaoning Province, PRC
Transportation	:	Shenbei Road is located to the south of the Property, which is a three-lane dual way main road running in east-west direction in Shenbei New District.
Nature of Surrounding Area	:	The subject area is clustered by a cluster of industrial buildings and logistic parks along with other public facilities, Shenyang Aerospace University Station of Metro Line 2 can also be found in the vicinity of the Property.
- 8) We have prepared our valuation based on the following assumptions:
 - the information of the Property provided by the Company is true and correct;
 - the site is free from contamination and the ground conditions are satisfactory;
 - the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
 - all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
 - the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.
- 9) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information
 - 瀋陽易北倉儲服務有限公司 has obtained the necessary permits and approvals for the construction work of the Property;
 - 瀋陽易北倉儲服務有限公司 has the right to use the land in accordance to the above mentioned real estate ownership certificates. Under the premise of complying with the mortgage contract agreement hereinafter, 瀋陽易北倉儲服務有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure;
 - The signed lease contracts by 瀋陽易北倉儲服務有限公司 and the lessees are effective.
- 10) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Company are as follows:

State-owned Land-use Rights Grant Contract	No
State-owned Land-use Rights Certificate	Not Applicable
Construction Land Planning Permit	Not Applicable
Construction Work Planning Permit	Not Applicable
Construction Work Commencement Permit	Not Applicable
Building Ownership Certificate	Not Applicable
Real Estate Ownership Certificate	Yes
Business License	Yes

VALUATION SUMMARY 10—GUANGZHOU MINGYUE WAREHOUSING CO., LTD. PHASE I

No.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019																								
10	No. 53 Chuangye Road (創業路), High-Tech Industrial Park of Guangdong Conghua Economic and Development Zone, Conghua District, Guangzhou, Guangdong Province, PRC	The Property, known as Guangzhou Mingyue Warehousing Co., Ltd. Phase I (廣州市銘粵倉儲有限公司一期), is a logistics project erected on an irregular-shaped land lot with a site area of 92,925.00 sq m. As advised by the Company, the Property was completed in 2014. It comprises one single-story warehouse and several facility rooms with a total gross floor area (GFA) of approximately 37,093.71 sq m for storage uses. The details are listed below: <table><tr><td></td><td>GFA (sq m)</td></tr><tr><td>Portions</td><td></td></tr><tr><td>Warehouse</td><td>34,842.46</td></tr><tr><td>CTU</td><td>688.74</td></tr><tr><td>Bicycle Shed</td><td>68.93</td></tr><tr><td>Carpentry Building ...</td><td>148.90</td></tr><tr><td>Recycling</td><td>168.68</td></tr><tr><td>Tire</td><td>532.37</td></tr><tr><td>Guardhouse</td><td>43.36</td></tr><tr><td>HAZMAT</td><td>532.37</td></tr><tr><td>Smoke Area</td><td>67.90</td></tr><tr><td>Total</td><td>37,093.71</td></tr></table> Pursuant to the Real Estate Ownership Certificates provided, the state-owned land-use rights of the Property have been granted for a term of 50 years expiring on December 19, 2062 for industrial purposes.		GFA (sq m)	Portions		Warehouse	34,842.46	CTU	688.74	Bicycle Shed	68.93	Carpentry Building ...	148.90	Recycling	168.68	Tire	532.37	Guardhouse	43.36	HAZMAT	532.37	Smoke Area	67.90	Total	37,093.71	As of the date of inspection, the Property was in normal operation. According to the information provided, at the Date of Valuation, the Property was subject to one tenancy which yields a total monthly rental income of approximately RMB2,144,786, excl. property management fee and value-added tax. The expiration date of this tenancy is December 4, 2024. The overall occupancy rate was 100%.	RMB410,000,000 (RENMINBI FOUR HUNDRED TEN MILLION) 68.5% interest to be attributable to the Group 1: RMB280,900,000 (RENMINBI TWO HUNDRED EIGHTY MILLION AND NINE HUNDRED THOUSAND)
	GFA (sq m)																											
Portions																												
Warehouse	34,842.46																											
CTU	688.74																											
Bicycle Shed	68.93																											
Carpentry Building ...	148.90																											
Recycling	168.68																											
Tire	532.37																											
Guardhouse	43.36																											
HAZMAT	532.37																											
Smoke Area	67.90																											
Total	37,093.71																											

Notes:

- 1) Pursuant to the Real Estate Ownership Certificates, the state-owned land-use rights of the Property located at No. 53 Chuangye Road, High-Tech Industrial Park of Guangdong Conghua Economic and Development Zone, and the corresponding building ownership are vested in 廣州市銘粵倉儲有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	GFA (sq m)	Building Use	Expiry Date
Yue (2016) Guang Zhou Shi Bu Dong Chan Quan Di 09208982 Hao			168.68	Recycling	
Yue (2016) Guang Zhou Shi Bu Dong Chan Quan Di 09208983 Hao			34,842.46	Warehouse	
Yue (2016) Guang Zhou Shi Bu Dong Chan Quan Di 09208975 Hao			67.90	Smoke Area	
Yue (2016) Guang Zhou Shi Bu Dong Chan Quan Di 09208995 Hao			148.90	Carpentry Building	
Yue (2016) Guang Zhou Shi Bu Dong Chan Quan Di 09208989 Hao	92,925.00	Industrial	532.37	Tire	December 19, 2062
Yue (2016) Guang Zhou Shi Bu Dong Chan Quan Di 09209035 Hao			68.93	Bicycle Shed	
Yue (2016) Guang Zhou Shi Bu Dong Chan Quan Di 09208991 Hao			532.37	HAZMAT	

APPENDIX VI

PROPERTY VALUATION

Certificate Number	Site Area (sq m)	Land Use	GFA (sq m)	Building Use	Expiry Date
Yue (2016) Guang Zhou Shi Bu Dong Chan Quan Di 09208979 Hao			688.74	CTU	
Yue (2016) Guang Zhou Shi Bu Dong Chan Quan Di 09208999 Hao			43.36	Guardhouse	
Total	92,925.00		37,093.71		

- 2) Pursuant to the Real Estate Registration Certificate dated November 17, 2017 provided, the Property was mortgaged to 匯豐銀行（中國）有限公司廣州分行.
- 3) Pursuant to the Company Business License No.914401010565708469, 廣州市銘粵倉儲有限公司 with the address of No. 53 Chuangye Road, High-Tech Industrial Park of Guangzhou Conghua Economic and Development Zone, Guangzhou, has been in business from December 6, 2012 to December 5, 2062 with the business scope of 倉儲業（具體經營項目請登錄廣州市商事主體信息公示平臺查詢。涉及國家規定實施准入特別管理措施的外商投資企業，經營範圍以審批機關核定的為準；依法需經批准的項目，經相關部門批准後方可開展經營活動）。
- 4) The Owner holds 100% leasehold interests of the Property.
- 5) In the course of our valuation, we have made reference to various leasing properties, which have comparable characteristics on the market. Comparables that had been selected range from RMB1.20 to 1.96 psm per day, exclusive of Value-added Tax (VAT) and property management fee. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, environment, building facilities, age/maintenance, etc. to determine the market rent of the Property. The adopted market rent of the Property, excluding VAT and property management fee, as at the Valuation Date is approximately RMB1.96 psm per day.
- 6) In DCF analysis, we have taken into account the determining factors of location, income and tenant mix of the Property and the rate of return requirement of property investors, and arrived at a discount rate of 8.50%. A terminal capitalization rate of 5.75% was applied when deriving the present value of the cash flows after 10 years. In Income Capitalisation Method, the adopted capitalization rate in our valuation is 6.40%. The capitalization rate will apply to the rental income generated until the expiry of the land-use rights of the Property.
- 7) The general description and market information of the property are summarized as below:

Location	:	The Property is located No. 53 Chuangye Road, High-Tech Industrial Park of Guangdong Conghua Economic and Development Zone, Conghua District, Guangzhou, Guangdong Province, PRC.
Transportation	:	The Property is accessible by Chuangye Road. Two expressways, namely G45 (Daqing—Guangzhou) and G94 (Pearl River Delta Ring Expressway) are situated near the Property to the east and south, respectively.
Nature of Surrounding Area	:	The subject area is clustered with industrial developments.
- 8) We have prepared our valuation based on the following assumptions:
 - the information of the Property provided by the Company is true and correct;
 - the site is free from contamination and the ground conditions are satisfactory;
 - the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
 - all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
 - the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.
- 9) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:
 - 廣州市銘粵倉儲有限公司 has obtained the necessary permits and approvals for the construction work of the Property;
 - 廣州市銘粵倉儲有限公司 has the right to use the land in accordance to the above mentioned real estate ownership certificates. Under the premise of complying with the mortgage contract agreement hereinafter, 廣州市銘粵倉儲有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure;
 - The signed lease contracts by 廣州市銘粵倉儲有限公司 and the lessees are effective.
- 10) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Company are as follows:

State-owned Land-use Rights Grant Contract	Yes
State-owned Land-use Rights Certificate	Not Applicable
Construction Land Planning Permit	Not Applicable
Construction Work Planning Permit	Not Applicable
Construction Work Commencement Permit	Not Applicable
Building Ownership Certificate	Not Applicable
Real Estate Ownership Certificate	Yes
Business License	Yes

VALUATION SUMMARY 11—GUANGZHOU MINGYUE WAREHOUSING CO., LTD. PHASE II

No.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019								
11	No. 135 Xinxing Road (新興路), Taiping Town, Conghua District, Guangzhou, Guangdong Province, PRC	The Property, known as Guangzhou Mingyue Warehousing Co., Ltd. Phase II (廣州市銘粵倉儲有限公司二期), is a logistics project erected on an irregular-shaped land lot with a site area of 99,546.49 sq m. As advised by the Company, the Property was completed in 2017. It comprises two single-story warehouses with a total GFA of approximately 13,734.79 sq m. The details are listed below: <table><tr><td></td><td>GFA (sq m)</td></tr><tr><td>Portions</td><td></td></tr><tr><td>Warehouse</td><td>13,734.79</td></tr><tr><td>Total</td><td>13,734.79</td></tr></table> Pursuant to the Real Estate Ownership Certificate provided, the state-owned land-use rights of the Property have been granted for a term of 50 years expiring on December 19, 2062 for industrial purposes.		GFA (sq m)	Portions		Warehouse	13,734.79	Total	13,734.79	As of the date of inspection, the Property was in normal operation. According to the information provided, at the Date of Valuation, the Property was subject to one tenancy which yields a total monthly rental income of approximately RMB821,523, excl. property management fee and value-added tax. The expiration date of this tenancy is December 4, 2024. The overall occupancy rate was 100%.	RMB157,000,000 (RENMINBI ONE HUNDRED FIFTY SEVEN MILLION) 68.5% interest to be attributable to the Group 1: RMB107,500,000 (RENMINBI ONE HUNDRED AND SEVEN MILLION FIVE HUNDRED THOUSAND)
	GFA (sq m)											
Portions												
Warehouse	13,734.79											
Total	13,734.79											

Notes:

- 1) Pursuant to the Real Estate Ownership Certificate, the state-owned land-use rights of the Property located at No. 135 Xinxing Road, Taiping Town, Conghua District, Guangzhou, and the corresponding building ownership are vested in 廣州市銘粵倉儲有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	GFA (sq m)	Building Use	Expiry Date
Yue (2018) Guang Zhou Shi Bu Dong Chan Quan Di 09216989 Hao	99,546.49	Industrial	13,734.79	Warehouse	December 19, 2062
Total	99,546.49		13,734.79		

- 2) Pursuant to the Real Estate Registration Certificate dated March 11, 2019 provided, the Property was mortgaged to 滙豐銀行（中國）有限公司廣州分行.
- 3) Pursuant to the Company Business License No.914401010565708469, 廣州市銘粵倉儲有限公司 with the address of No. 53 Chuangye Road, High-Tech Industrial Park of Guangzhou Conghua Economic and Development Zone, Guangzhou, has been in business from December 6, 2012 to December 5, 2062 with the business scope of 倉儲業（具體經營項目請登錄廣州市商事主體信息公示平臺查詢。涉及國家規定實施准入特別管理措施的外商投資企業，經營範圍以審批機關核定的為準；依法需經批准的項目，經相關部門批准後方可開展經營活動）.
- 4) The Owner holds 100% leasehold interests of the Property.
- 5) In the course of our valuation, we have made reference to various leasing properties, which have comparable characteristics on the market. Comparables that had been selected range from RMB1.20 to 1.96 psm per day, exclusive of Value-added Tax (VAT) and property management fee. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, environment, building facilities, age/maintenance, etc. to determine the market rent of the Property. The adopted market rent of the Property, excluding VAT and property management fee, as at the Valuation Date is approximately RMB1.96 psm per day.
- 6) In DCF analysis, we have taken into account the determining factors of location, income and tenant mix of the Property and the rate of return requirement of property investors, and arrived at a discount rate of 8.50%. A terminal capitalization rate of 5.75% was applied when deriving the present value of the cash flows after 10 years. In Income Capitalisation Method, the adopted capitalization rate in our valuation is 6.40%. The capitalization rate will apply to the rental income generated until the expiry of the land-use rights of the Property.

7) The general description and market information of the property are summarized as below:

Location	:	The Property is located No. 135 Xinxing Road, Taiping Town, Conghua District, Guangzhou, Guangdong Province, PRC.
Transportation	:	The Property is accessible by Chuangye Road. Two expressways, namely G45 (Daqing—Guangzhou) and G94 (Pearl River Delta Ring Expressway) are situated near the Property to the east and south, respectively.
Nature of Surrounding Area	:	The subject area is clustered with industrial developments.

8) We have prepared our valuation based on the following assumptions:

- the information of the Property provided by the Company is true and correct;
- the site is free from contamination and the ground conditions are satisfactory;
- the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
- all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
- the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.

9) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:

- 廣州市銘粵倉儲有限公司 has obtained the necessary permits and approvals for the construction work of the Property;
- 廣州市銘粵倉儲有限公司 has the right to use the land in accordance to the above mentioned real estate ownership certificate. Under the premise of complying with the mortgage contract agreement hereinafter, 廣州市銘粵倉儲有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure;
- The signed lease contracts by 廣州市銘粵倉儲有限公司 and the lessees are effective.

10) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Company are as follows:

State-owned Land-use Rights Grant Contract	Yes
State-owned Land-use Rights Certificate	Not Applicable
Construction Land Planning Permit	Not Applicable
Construction Work Planning Permit	Not Applicable
Construction Work Commencement Permit	Not Applicable
Building Ownership Certificate	Not Applicable
Real Estate Ownership Certificate	Yes
Business License	Yes

VALUATION SUMMARY 12—TIANJIN FANXIN WAREHOUSING SERVICE LTD.

No.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019																				
12	No. 80 Fuyuan Road (復元道), Jingbin Industrial Park, Dawangguzhuang Town, Wuqing District, Tianjin, PRC	The Property, known as Tianjin Fanxin Warehousing Service Ltd. (天津凡信倉儲服務有限公司), is a logistics project erected on a roughly rectangular-shaped land lot with a site area of 115,917.90 sq m. As advised by the Company, the Property was completed in 2015. It comprises four single-story warehouses and three ancillary buildings with a total gross floor area (GFA) of 75,426.85 sq m. The details are listed below: <table><thead><tr><th></th><th>GFA (sq m)</th></tr></thead><tbody><tr><td>Portions</td><td></td></tr><tr><td>Warehouse 1</td><td>17,582.93</td></tr><tr><td>Warehouse 2</td><td>17,116.41</td></tr><tr><td>Warehouse 3</td><td>17,615.46</td></tr><tr><td>Warehouse 4</td><td>21,694.42</td></tr><tr><td>Ancillary Building 1</td><td>29.92</td></tr><tr><td>Ancillary Building 2</td><td>13.60</td></tr><tr><td>Ancillary Building 3</td><td>1,374.11</td></tr><tr><td><i>Total</i></td><td><i>75,426.85</i></td></tr></tbody></table> Pursuant to the Real Estate Ownership Certificate provided, the state-owned land-use rights of the Property have been granted for a term of 50 years expiring on February 25, 2064 for warehouse purposes.		GFA (sq m)	Portions		Warehouse 1	17,582.93	Warehouse 2	17,116.41	Warehouse 3	17,615.46	Warehouse 4	21,694.42	Ancillary Building 1	29.92	Ancillary Building 2	13.60	Ancillary Building 3	1,374.11	<i>Total</i>	<i>75,426.85</i>	As of the date of inspection, the Property was in normal operation. According to the information provided, at the Date of Valuation, the Property was subject to one tenancy which yields a total monthly rental income of approximately RMB 2,058,808, excl. property management fee and value-added tax. The expiry date of this tenancy is March 31, 2021. The overall occupancy rate was about 98.2%.	RMB458,000,000 (RENMINBI FOUR HUNDRED FIFTY EIGHT MILLION) 90% interest to be attributable to the Group 1: RMB412,200,000 (RENMINBI FOUR HUNDRED TWELVE MILLION AND TWO HUNDRED THOUSAND)
	GFA (sq m)																							
Portions																								
Warehouse 1	17,582.93																							
Warehouse 2	17,116.41																							
Warehouse 3	17,615.46																							
Warehouse 4	21,694.42																							
Ancillary Building 1	29.92																							
Ancillary Building 2	13.60																							
Ancillary Building 3	1,374.11																							
<i>Total</i>	<i>75,426.85</i>																							

Notes:

- 1) Pursuant to the Real Estate Ownership Certificate, the state-owned land-use rights of the Property located at No. 80 Fuyuan Road, Tianjin Jingbin Industrial Park, Dawangguzhuang Town, Wuqing District, and the corresponding building ownership are vested in 天津凡信倉儲服務有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	GFA (sq m)	Building Use	Expiry Date
Fang Di Zheng Jin Zi Di 122011521389 Hao	115,917.90	Warehouse	75,426.85	Non-residential	February 25, 2064
Total	115,917.90		75,426.85		

- 2) Pursuant to the Real Estate Registration Certificate dated May 24, 2019 provided, the Property was mortgaged to 華僑永亨銀行 (中國) 有限公司北京分行 and 星展銀行 (中國) 有限公司上海分行.
- 3) Pursuant to the Company Business License No.91120222094404494P, 天津凡信倉儲服務有限公司 with the address of No. 80 Fuyuan Road, Tianjin Jingbin Industrial Park, Dawangguzhuang Town, Wuqing District, Tianjin, has been in business from June 17, 2014 to June 16, 2044 with the business scope of 倉儲服務 (易制毒、危險化學品除外)、企業管理服務、商務信息諮詢服務、物業服務; 倉儲設施租賃和經營。(依法須經批准的項目, 經相關部門批准後方可開展經營活動)
- 4) The Owner holds 100% leasehold interests of the Property.
- 5) In the course of our valuation, we have made reference to various leasing properties, which have comparable characteristics on the market. Comparables that had been selected range from RMB1.05 to 1.20 psm per day, exclusive of Value-added Tax (VAT) and property management fee. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, environment, building facilities, age/maintenance, etc. to determine the market rent of the Property. The adopted market rent of the Property, excluding VAT and property management fee, as at the Valuation Date is approximately RMB1.06 psm per day.
- 6) In DCF analysis, we have taken into account the determining factors of location, income and tenant mix of the Property and the rate of return requirement of property investors, and arrived at a discount rate of 8.50%. A terminal capitalization rate of 5.75% was applied

when deriving the present value of the cash flows after 10 years. In Income Capitalisation Method, the adopted capitalization rate in our valuation is 6.40%. The capitalization rate will apply to the rental income generated until the expiry of the land-use rights of the Property.

- 7) The general description and market information of the property are summarized as below:

Location	:	The Property is located at No. 80, Fuyuan Road, Jingbin Industrial Park, Dawangguzhuang Town, Wuqing District, Tianjin, PRC.
Transportation	:	The Property is accessible by Fuyuan Road, which is a two-lane dual-way road connecting to East Ring Road (東環路). East Ring Road is a three-lane dual-way road and it is portion of the ring road running around Langfang downtown
Nature of Surrounding Area	:	The subject area is clustered with a number of industrial factories and warehouse properties.

- 8) We have prepared our valuation based on the following assumptions:

- the information of the Property provided by the Company is true and correct;
- the site is free from contamination and the ground conditions are satisfactory;
- the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
- all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
- the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.

- 9) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:

- 天津凡信倉儲服務有限公司 has obtained the necessary permits and approvals for the construction work of the Property;
- 天津凡信倉儲服務有限公司 has the right to use the land in accordance to the above mentioned real estate ownership certificate. Under the premise of complying with the mortgage contract agreement hereinafter, 天津凡信倉儲服務有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure;
- The signed lease contracts by 天津凡信倉儲服務有限公司 and the lessees are effective.

- 10) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Company are as follows:

State-owned Land-use Rights Grant Contract	Yes
State-owned Land-use Rights Certificate	Not Applicable
Construction Land Planning Permit	Not Applicable
Construction Work Planning Permit	Not Applicable
Construction Work Commencement Permit	Not Applicable
Building Ownership Certificate	Not Applicable
Real Estate Ownership Certificate	Yes
Business License	Yes

VALUATION SUMMARY 13—LEKUN WAREHOUSING (WUXI) CO., LTD.

No.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019														
13	No. 182 Xishan Avenue (錫山大道), Xinwu District, Wuxi, Jiangsu Province, PRC	The Property, known as Lekun Warehousing (Wuxi) Co., Ltd. (樂坤倉儲(無錫)有限公司), is a logistics project erected on an irregular-shaped land lot with a site area of 76,527.30 sq m. As advised by the Company, the Property was completed in 2018. It comprises two two-storey warehouses and other ancillary buildings with a total gross floor area (GFA) of 89,116.33 sq m. The details are listed below: <table><tr><td></td><td>GFA (sq m)</td></tr><tr><td>Portions</td><td></td></tr><tr><td>Warehouse 1</td><td>49,207.40</td></tr><tr><td>Warehouse 2</td><td>38,695.46</td></tr><tr><td>Complex Building</td><td>1,150.76</td></tr><tr><td>Ancillary Building</td><td>62.71</td></tr><tr><td>Total</td><td>89,116.33</td></tr></table> Pursuant to the Real Estate Ownership Certificate provided, the state-owned land-use rights of the Property have been granted for a term of 50 years expiring on February 28, 2066 for warehouse purposes.		GFA (sq m)	Portions		Warehouse 1	49,207.40	Warehouse 2	38,695.46	Complex Building	1,150.76	Ancillary Building	62.71	Total	89,116.33	As of the date of inspection, the Property was in normal operation. According to the information provided, at the Date of Valuation, the Property was subject to three tenancies which yield a total monthly rental income of approximately RMB 2,508,596, excl. property management fee and value-added tax. The latest expiry date of these tenancies is October 31, 2026. The overall occupancy rate was 100%.	RMB483,000,000 (RENMINBI FOUR HUNDRED EIGHTY THREE MILLION) 100% interest to be attributable to the Group 1: RMB483,000,000 (RENMINBI FOUR HUNDRED EIGHTY THREE MILLION)
	GFA (sq m)																	
Portions																		
Warehouse 1	49,207.40																	
Warehouse 2	38,695.46																	
Complex Building	1,150.76																	
Ancillary Building	62.71																	
Total	89,116.33																	

Notes:

- 1) Pursuant to the Real Estate Ownership Certificate provided, the state-owned land-use rights of the Property located at No. 182 Xishan Avenue, Xinwu District, Wuxi have been granted to 樂坤倉儲(無錫)有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	GFA (sq m)	Building Use	Expiry Date
Su (2019) Wu Xi Shi Bu Dong Chan Quan Di 0174640					
Hao	76,527.30	Warehouse	89,116.33	Warehouse	February 28, 2066
Total	76,527.30		89,116.33		

- 2) Pursuant to the Real Estate Registration Certificate dated 28 June 2018 provided, the Property was mortgaged to 東亞銀行(中國)有限公司上海分行、東亞銀行(中國)有限公司無錫分行.
- 3) Pursuant to the Company Business License 91320214320515601P, 樂坤倉儲(無錫)有限公司 with the address of No. 182 Xishan Avenue, Wuxi, has been in business from November 5, 2014 to November 4, 2044 with the business scope of 倉儲(不含物流)及倉儲諮詢服務; 自有房屋出租; 物業管理; 家用電器及電子產品的批發、佣金代理(拍賣除外)和進出口業務(以上商品進出口不涉及國營貿易管理商品, 涉及配額、許可證管理商品, 按國家有關規定辦理申請)
- 4) The Owner holds 100% leasehold interests of the Property.
- 5) In the course of our valuation, we have made reference to various leasing properties, which have comparable characteristics on the market. Comparables that had been selected range from RMB0.95 to 1.10 psm per day, exclusive of Value-added Tax (VAT) and property management fee. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, environment, building facilities, age/maintenance, etc. to determine the market rent of the Property. The adopted market rent of the Property, excluding VAT and property management fee, as at the Valuation Date is approximately RMB1.00 psm per day.
- 6) In DCF analysis, we have taken into account the determining factors of location, income and tenant mix of the Property and the rate of return requirement of property investors, and arrived at a discount rate of 9.00%. A terminal capitalisation rate of 6.25% was applied when deriving the present value of the cash flows after 10 years. In Income Capitalisation Method, the adopted capitalisation rate in our valuation is 6.85%. The capitalisation rate will apply to the rental income generated until the expiry of the land-use rights of the Property.

7) The general description and market information of the property are summarised as below:

Location	:	The Property is located at No. 182 Xishan Avenue, Xinwu District, Wuxi, Jiangsu Province, PRC.
Transportation	:	The Property is accessible by Xishan Avenue, which is a three-lane dual-way road connecting to Gaolang Elevated Road (高浪路高架). Gaolang Elevated Road is a three-lane dual-way road and connected to Beijing-Shanghai Expressway (京滬高速), which can provide convenient access to Suzhou, Changzhou and other neighbouring cities.
Nature of Surrounding Area	:	The subject area is clustered with a number of industrial factories and warehouse properties.

8) We have prepared our valuation based on the following assumptions:

- the information of the Property provided by the Company is true and correct;
- the site is free from contamination and the ground conditions are satisfactory;
- the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
- all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
- the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.

9) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:

- 樂坤倉儲（無錫）有限公司 has obtained the necessary permits and approvals for the construction work of the Property;
- 樂坤倉儲（無錫）有限公司 has the right to use the land in accordance to the above mentioned real estate ownership certificate. Under the premise of complying with the mortgage contract agreement hereinafter, 樂坤倉儲（無錫）有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure;
- The signed lease contracts by 樂坤倉儲（無錫）有限公司 and the lessees are effective.

10) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

State-owned Land-use Rights Grant Contract	No
State-owned Land-use Rights Certificate	Not Applicable
Construction Land Planning Permit	Not Applicable
Construction Work Planning Permit	Not Applicable
Construction Work Commencement Permit	Not Applicable
Building Ownership Certificate	Not Applicable
Real Estate Ownership Certificate	Yes
Business License	Yes

VALUATION SUMMARY 14—CHANGSHA YIZHU WAREHOUSING SERVICES Co., LTD. PHASE I

No.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019
14	No. 1 Huangjiachong Lane (黃甲冲巷), Langli Sub-district (榔梨街道), Changsha Town (長沙縣), Changsha, Hunan Province, PRC	The Property, known as Changsha Yizhu Warehouse Services Co., Ltd. Phase I (長沙易竹倉儲服務有限公司一期). The Property is a high-standard logistics project erected on a roughly rectangular-shaped land lot with a site area of 42,088.98 sq m, situated at the south of Wangjiachong Road. As advised by the Company, the Property was completed in Q2 2019. It comprises a single-storey warehouse and a single-storey cold storage with a total gross floor area (GFA) of approximately 22,426.24 sq m. Pursuant to the Real Estate Ownership Certificate provided, the state-owned land-use rights of the Property have been granted for a term of 50 years expiring on November 30, 2067 for warehouse purposes.	As of the date of inspection, the Property was in normal operation. According to the information provided, at the Date of Valuation, the Property was subject to one tenancy which yields a total monthly rental income of approximately RMB414,655, excl. property management fee and value-added tax. The expiration date of this tenancy is May 31, 2029. The overall occupancy rate was about 62.0%.	RMB123,000,000 (RENMINBI ONE HUNDRED TWENTY THREE MILLION) 100% interest to be attributable to the Group 1: RMB123,000,000 (RENMINBI ONE HUNDRED TWENTY THREE MILLION)

Notes:

- 1) Pursuant to the Real Estate Ownership Certificates, the state-owned land-use rights of the Property located at No. 1 Huangjiachong Lane, Langli Sub-district, Changsha Town, Changsha, are vested in 長沙易竹倉儲服務有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	GFA (sqm)	Building Use	Expiry Date
Xiang (2019) Chang Sha Xian Bu Dong Chan Quan Di 0041981	42,088.98	Warehouse	14,764.72	Warehouse	November 30, 2067
Xiang (2019) Chang Sha Xian Bu Dong Chan Quan Di 0041982			7,639.30	Warehouse	
Xiang (2019) Chang Sha Xian Bu Dong Chan Quan Di 0041983			22.22	Guardhouse	
Total	42,088.98		22,426.24		

- 2) We have not been provided with any relevant information about mortgage and encumbrances of the Property. We are therefore unable to comment on any related matters and advise that a legal opinion should be sought regarding the legality, transferability of title and the existence of any current or potential encumbrances attached to the Property.
- 3) Pursuant to the Company Business License No.91430100MA4M0FDLXN, 長沙易竹倉儲服務有限公司 with the address of Room 301 Building 3, Xingwei Chuangxin Park, No. 57 South Section of Huangxing Avenue, Changsha Economic Development Zone, Changsha, has been in business from August 9, 2017 to August 8, 2067 with the business scope of 從事倉儲服務 (除危險品、不含運輸)、工業及倉儲設施的建設及經營、物業管理、技術諮詢、商務信息諮詢、物流園經營服務。(依法須經批准的項目, 經相關部門批准後方可開展經營活動)
- 4) The Owner holds 100% leasehold interests of the Property.
- 5) In the course of our valuation, we have made reference to various leasing properties, which have comparable characteristics on the market. Comparables that had been selected range from RMB0.95 to 1.00 psm per day, exclusive of Value-added Tax (VAT) and property management fee. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, environment, building facilities, age/maintenance, etc. to determine the market rent of the Property. The adopted market rent of the Property, excluding VAT and property management fee, as at the Valuation Date is approximately RMB1.10 psm per day for cold storage and approximately RMB0.98 psm per day for warehouse.
- 6) In DCF analysis, we have taken into account the determining factors of location, income and tenant mix of the Property and the rate of return requirement of property investors, and arrived at a discount rate of 9.00%. A terminal capitalisation rate of 6.25% was applied when deriving the present value of the cash flows after 10 years. In Income Capitalisation Method, the adopted capitalisation rate in our valuation is 6.85%. The capitalisation rate will apply to the rental income generated until the expiry of the land-use rights of the Property.

7) The general description and market information of the property are summarised as below:

Location	:	The Property is located West of Dongshier Road (东 十 二 路), Wangjiachong Road (王 家 冲 路), Changsha Economic Development Zone.
Transportation	:	The Property is accessible by Wangjiachong Road. Three expressways, namely S20 (Changsha—Liuyang), G0401 (Changsha Ring Road Expressway) and S40 (Airport Expressway) are situated near the Property to the north, east and south, respectively.
Nature of Surrounding Area	:	The subject area is clustered with industrial developments.

8) We have prepared our valuation based on the following assumptions:

- the information of the Property provided by the Company is true and correct;
- the site is free from contamination and the ground conditions are satisfactory;
- the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
- all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
- the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.

9) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:

- 長沙易竹倉儲服務有限公司 has obtained the necessary permits and approvals for the construction work of the Property;
- 長沙易竹倉儲服務有限公司 has the right to use the land in accordance to the above mentioned real estate ownership certificates. 長沙易竹倉儲服務有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure.
- The signed lease contracts by 長沙易竹倉儲服務有限公司 and the lessees are effective.

10) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

State-owned Land-use Rights Grant Contract	Yes
State-owned Land-use Rights Certificate	Not Applicable
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Building Ownership Certificate	Not Applicable
Real Estate Ownership Certificate	Yes
Business License	Yes

VALUATION SUMMARY 15—JILIN YILING WAREHOUSE SERVICES CO., LTD.

No.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019																				
15	South of Fumin Street (富民大街), Daling Vehicle Logistics Park, Gongzhuling, Jilin Province, PRC	The Property, known as Jilin Yiling Warehouse Services Co., Ltd. (吉林易嶺倉儲服務有限公司), is a logistics project erected on a roughly rectangular-shaped land lot with a site area of 147,750.00 sq m. It is located in south of Fumin Street, Daling Vehicle Logistics Park, Gongzhuling, Jilin. The Property comprises six single-storey warehouses with a total gross floor area (GFA) of 94,402.71 sq m and it was recently completed in August 2019. The details are listed below: <table><tr><th></th><th>GFA (sq m)</th></tr><tr><td>Portion</td><td></td></tr><tr><td>Warehouse 1</td><td>15,447.98</td></tr><tr><td>Warehouse 2</td><td>15,612.96</td></tr><tr><td>Warehouse 3</td><td>14,746.64</td></tr><tr><td>Warehouse 4</td><td>15,612.96</td></tr><tr><td>Warehouse 5</td><td>15,612.96</td></tr><tr><td>Warehouse 6</td><td>15,612.96</td></tr><tr><td>Ancillary Room</td><td>1,756.25</td></tr><tr><td><i>Total</i></td><td><i>94,402.71</i></td></tr></table> Pursuant to the Real Estate Ownership Certificates provided, the land-use rights of the Property have been granted for a term for 50 years expiring on 5 June 2068 for warehouse uses.		GFA (sq m)	Portion		Warehouse 1	15,447.98	Warehouse 2	15,612.96	Warehouse 3	14,746.64	Warehouse 4	15,612.96	Warehouse 5	15,612.96	Warehouse 6	15,612.96	Ancillary Room	1,756.25	<i>Total</i>	<i>94,402.71</i>	At the date of inspection, the Property was completed and vacant.	RMB405,000,000 (RENMINBI FOUR HUNDRED AND FIVE MILLION) 100% interest to be attributable to the Group 1: RMB405,000,000 (RENMINBI FOUR HUNDRED AND FIVE MILLION)
	GFA (sq m)																							
Portion																								
Warehouse 1	15,447.98																							
Warehouse 2	15,612.96																							
Warehouse 3	14,746.64																							
Warehouse 4	15,612.96																							
Warehouse 5	15,612.96																							
Warehouse 6	15,612.96																							
Ancillary Room	1,756.25																							
<i>Total</i>	<i>94,402.71</i>																							

Notes:

- 1) Pursuant to the Real Estate Ownership Certificate, the state-owned land-use rights of the Property located at south of Fumin Street, Daling Vehicle Logistics Park, are vested in 吉林易嶺倉儲服務有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	Expiry Date
Ji (2018) Gong Zhu Ling Shi Bu Dong Chan Quan Di 0009534 Hao	147,750.00	Warehouse	5 June 2068
<i>Total</i>	<i>147,750.00</i>		

- 2) Pursuant to the Construction Land Planning Permit, the planning of the construction land of the Property has been approved to 吉林易嶺倉儲服務有限公司. The details are listed below:

Certificate Number	Project Name	Detailed Location	Site Area (sq m)
Di Zi Di DL2018-YD-006 Hao	Jilin Yiling Warehouse Services Co., Ltd. ESR Redwood Daling Vehicle Logistics Park Phase I	South of Fumin Street, Daling Vehicle Logistics Park	147,750.00
<i>Total</i>			<i>147,750.00</i>

- 3) Pursuant to the Construction Work Planning Permit, the planning of the construction work of the Property has been approved to 吉林易嶺倉儲服務有限公司. The details are listed below:

<u>Certificate Number</u>	<u>Project Name</u>	<u>Detailed Location</u>	<u>Construction Scale</u> (sq m)
Jian Zi Di DL2018-GC-013 Hao	Jilin Yiling Warehouse Services Co., Ltd. ESR Redwood Daling Vehicle Logistics Park Phase I	South of Fumin Street, Daling Vehicle Logistics Park	94,402.71
<i>Total</i>			<i>94,402.71</i>

- 4) Pursuant to the Construction Work Commencement Permit, the construction work of the Property has been approved to commence by 吉林易嶺倉儲服務有限公司. The details are listed below:

<u>Certificate Number</u>	<u>Project Name</u>	<u>Detailed Location</u>	<u>Construction Scale</u> (sq m)
220381201807131202	Jilin Yiling Warehouse Services Co., Ltd. ESR Redwood Daling Vehicle Logistics Park Phase I	South of Fumin Street, Daling Vehicle Logistics Park	94,402.71
<i>Total</i>			<i>94,402.71</i>

- 5) We have not been provided with any relevant information about mortgage and encumbrances of the Property. We are therefore unable to comment on any related matters and advise that a legal opinion should be sought regarding the legality, transferability of title and the existence of any current or potential encumbrances attached to the Property.
- 6) Pursuant to the Company Business License No.91220000MA152G032U, 吉林易嶺倉儲服務有限公司 with the address of No. 7 Building 18 Dalingzhen Sub-district, Gongzhuling, has been in business from 29 December 2017 to 28 December 2067 with the business scope of 倉儲服務；工業及倉儲設施的建設及經營，自有房屋租賃，物業管理，技術諮詢，商務信息諮詢。（依法須經批准的項目，經相關部門批准後方可開展經營活動）
- 7) The Owner holds 100% leasehold interests of the Property.
- 8) In the course of our valuation, we have made reference to various leasing properties, which have comparable characteristics on the market. Comparables that had been selected ranges from RMB0.75 to 0.90 psm per day, exclusive of Value-added Tax (VAT) and property management fee. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, environment, building facilities, age/maintenance, etc. to determine the market rent of the Property. The adopted market rent of the Property, excluding VAT and property management fee, as at the Valuation Date is approximately RMB0.80 psm per day.
- 9) In DCF analysis, we have taken into account the determining factors of location, income and tenant mix of the Property and the rate of return requirement of property investors, and arrived at a discount rate of 9.00%. A terminal capitalization rate of 6.50% was applied when deriving the present value of the cash flows after 10 years. In Income Capitalisation Method, the adopted capitalisation rate in our valuation is 6.85%. The capitalization rate will apply to the rental income generated until the expiry of the land-use rights of the Property.
- 10) The general description and market information of the property are summarised as below:

Location	:	The Property is located south of Fumin Street, Daling Vehicle Logistics Park, Gongzhuling, Jilin Province, PRC.
Transportation	:	The Property is accessible by Fumin Street (富民大街) and Yiqi Road (乙七路), of which the former is a three-lane dual-way road and the latter is a single-lane dual-way road.
Nature of Surrounding Area	:	The subject area is planned to develop as vehicle logistics park and now is mainly agricultural and vacant land.

- 11) We have prepared our valuation based on the following assumptions:
- the information of the Property provided by the Company is true and correct;
 - the site is free from contamination and the ground conditions are satisfactory;
 - the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
 - all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
 - the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.
- 12) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:
- 吉林易嶺倉儲服務有限公司 has obtained the necessary permits and approvals for the construction work of the Property;
 - 吉林易嶺倉儲服務有限公司 has the right to use the land in accordance to the above mentioned real estate ownership certificate. 吉林易嶺倉儲服務有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure.

- 13) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

State-owned Land-use Rights Grant Contract	Yes
State-owned Land-use Rights Certificate	Not Applicable
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Building Ownership Certificate	Not Applicable
Real Estate Ownership Certificate	Yes (for land only)
Business License	Yes

VALUATION SUMMARY 16—SHANGHAI YI BIAN LOGISTICS TECHNOLOGY CO., LTD.

NO.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019
16	No. 268 Delin Road (德林路), Pudong New District, Shanghai, PRC	The Property, known as Shanghai Yi Bian Logistics Technology Co., Ltd. (上海易奔物流科技有限公司), is a high-standard logistics project erected on a roughly rectangular-shaped land lot with a total site area of 20,066.00 sq m. According to the Real Estate Ownership Certificate, the Property was completed in 2005. It comprises one two-storey warehouse and ancillary buildings with a total gross floor area (GFA) of 14,265.44 sq m. Pursuant to the Real Estate Ownership Certificate provided, the land-use rights of the Property have been granted for a term of 50 years expiring on 14 August 2053 for industrial and warehouse purposes.	At the date of inspection, at the Date of Valuation, the Property was subject to one tenancy which yields a total monthly rental income of approximately RMB471,273, excl. property management fee and value-added tax. The latest expiry date of this tenancy is 19 August 2022. The overall occupancy rate was about 81.1%.	RMB110,000,000 (RENMINBI ONE HUNDRED TEN MILLION) 100% interest to be attributable to the Group 1: RMB110,000,000 (RENMINBI ONE HUNDRED TEN MILLION)

Notes:

- 1) Pursuant to the Real Estate Ownership Certificate, the land-use rights of the Property located at No.268 Dellin Road, Pudong New District, Shanghai, and the corresponding building ownership are vested in 上海易奔物流科技有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	GFA (sq m)	Expiry Date
Hu (2019) Pu Zi Bu Dong Chan Quan Di 087248 Hao	20,066.00	Industrial and Warehouse	14,265.44	14 August 2053
Total	20,066.00		14,265.44	

- 2) We have not been provided with any relevant information about mortgage and encumbrances of the Property. We are therefore unable to comment on any related matters and advise that a legal opinion should be sought regarding the legality, transferability of title and the existence of any current or potential encumbrances attached to the Property.
- 3) Pursuant to the Company Business License No. 913100007737100208, 上海易奔物流科技有限公司 with the address of No.268 Delin Road, China (Shanghai) Pilot Free Trade Zone, Shanghai, has been in business from 18 June 2001 to 17 June 2051 with the business scope of 營範圍為：從事物流科技領域內的技術開發、技術轉讓、技術服務、技術諮詢，區內倉儲（除危險品）、物流業務，國際貿易、轉口貿易，區內企業間的貿易及貿易代理，通過國內有進出口經營權的企業代理與非區內企業從事貿易業務，區內商業性簡單加工及商品展示，中國（上海）自由貿易試驗區德林路 268號自有房產租賃業務，物業管理服務。（依法須經批准的項目，經相關部門批准後方可開展經營活動）
- 4) The Owner holds 100% leasehold interests of the Property.
- 5) In the course of our valuation, we have made reference to various leasing properties, which have comparable characteristics on the market. Comparables that had been selected ranges from RMB1.45 to 1.65 psm per day, exclusive of Value-added Tax (VAT) and property management fee. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, environment, building facilities, age/maintenance, etc. to determine the market rent of the Property. The adopted market rent of the Property, excluding VAT and property management fee, as at the Valuation Date is approximately RMB1.40 psm per day.
- 6) In DCF analysis, we have taken into account the determining factors of location, income and tenant mix of the Property and the rate of return requirement of property investors, and arrived at a discount rate of 8.50%. A terminal capitalisation rate of 5.50% was applied when deriving the present value of the cash flows after 10 years. In Income Capitalisation Method, the adopted capitalisation rate in our valuation is 6.15%. The capitalisation rate will apply to the rental income generated until the expiry of the land-use rights of the Property

7) The general description and market information of the property are summarised as below:

Location	:	The Property is located at No.268 Delin Road, Pudong New District, Shanghai, PRC.
Transportation	:	The Property is accessible by Delin Road, which is a two-lane dual-way road. Outer Ring Expressway (外環高速) and Shanghai Beltway (上海繞城高速) are situated near the Property to the east and south, respectively.
Nature of Surrounding Area	:	The subject area is situated within China (Shanghai) Pilot Free Trade Zone in eastern Shanghai. It enjoys a convenient transportation network. The subject area is clustered with a number of warehouse properties and industrial factories.

8) We have prepared our valuation based on the following assumptions:

- the information of the Property provided by the Company is true and correct;
- the site is free from contamination and the ground conditions are satisfactory;
- the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
- all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
- the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.

9) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:

- 上海易奔物流科技有限公司 has obtained the necessary permits and approvals for the construction work of the Property;
- 上海易奔物流科技有限公司 has the right to use the land in accordance to the above mentioned real estate ownership certificate. 上海易奔物流科技有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure;
- The signed lease contracts by 上海易奔物流科技有限公司 and the lessees are effective.

10) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

State-owned Land-use Rights Grant Contract	No
State-owned Land-use Rights Certificate	Not Applicable
Construction Land Planning Permit	Not Applicable
Construction Work Planning Permit	Not Applicable
Construction Work Commencement Permit	Not Applicable
Building Ownership Certificate	Not Applicable
Real Estate Ownership Certificate	Yes
Business License	Yes

VALUATION SUMMARY 17—CHONGQING YONGXIANG WAREHOUSE CO., LTD PHASE I

NO.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019
17	Zone M, Chayuan Group (茶園組團), Nan'an District, Chongqing, PRC	The Property, Chongqing Yongxiang Warehouse Co., Ltd Phase I (重慶永翔市場經營管理有限公司一期). The Property is a high-standard logistics project erected on a roughly rectangular-shaped land lot with a site area of 80,784.00 sq m, situated at the along the eastern side of Fuyuan Avenue, Nan'an District, Chongqing. As advised by the Company, the Property was completed in Q3 2019. It comprises two single-storey warehouses and other ancillary buildings with a total gross floor area (GFA) of approximately 43,471.75 sq m. Pursuant to the Real Estate Ownership Certificates provided, the land-use rights of the Property have been granted for a term for 50 years expiring on 11 July 2067 for warehouse uses.	As of the date of the inspection, the Property was completed and vacant.	RMB198,000,000 (RENMINBI ONE HUNDRED NINETY EIGHT MILLION) 100% interest ¹ to be attributable to the Group 1: RMB198,000,000 (RENMINBI ONE HUNDRED NINETY EIGHT MILLION)

Note:

1. The subsidiary company of ESR Cayman Limited holds 50% of Chongqing Yongxiang's registered capital, and will acquire the remaining 50% shares at a pre-agreed price in accordance with the agreement between the shareholders.

Notes:

- 1) Pursuant to the Real Estate Ownership Certificates, the land-use rights of the Property located in Zone M, Chayuan Group, Nan'an District, Chongqing, are vested in 重慶永翔市場經營管理有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	Expiry Date
Yu (2017) Nan'an Qu Bu Dong Chan Quan Di 000895044 Hao	80,784.00	Warehouse	11 July 2067
Total	80,784.00		

- 2) Pursuant to the Construction Land Planning Permits, the planning of the construction land of the Property has been approved to 重慶永翔市場經營管理有限公司. The details are listed below:

Certificate Number	Location	Site Area (sq m)
Di Zi Di 500108201700047 Hao	Plot M15-1/02, Chayuan Group, Nan'an District	80,784.00
Total		80,784.00

- 3) Pursuant to the Construction Work Planning Permits, the planning of the construction work of the Property has been approved to 重慶永翔市場經營管理有限公司. The details are listed below:

Certificate Number	Project Name	Detailed Location	Construction Scale (sq m)
Jian Zi Di 500108201800053	Chongqing Yongxiang Modern Logistics Park Phase I	Plot M15-1/02, Chayuan Group, Nan'an District	43,471.75
Total			43,471.75

- 4) Pursuant to the Construction Work Commencement Permits, the construction work of the Property has been approved to commence by 重慶永翔市場經營管理有限公司. The details are listed below:

Certificate Number	Project Name	Detailed Location	Construction Scale (sq m)
500114201808130101	Chongqing Yongxiang Modern Logistics Park Phase I	Plot M15-1/02, Chayuan Group, Nan'an District	43,471.75
Total			43,471.75

- 5) Pursuant to the Real Estate Registration Certificate dated 29 March 2019 provided, the Property was mortgaged to 重慶農村商業銀行股份有限公司渝中支行.
- 6) Pursuant to the Company Business License No.915001085634987976, 重慶永翔市場經營管理有限公司 with the address of No. 601 Keji Wuye Centre Rongying Building, No. 8 Yuma Road, Nan'an District, Chongqing, has been in business from 15 November 2010 to 2 November 2060 with the business scope of 市場設施租賃；市場管理服務；倉儲服務（除危險品、不含運輸）；倉儲設施的租賃；物業管理（取得相關行政許可後，在許可範圍內從事經營）；商務信息諮詢。（法律、法規禁止經營的，不得經營；法律、法規、國務院規定需審批的未獲審批前，不得經營）
- 7) The Owner holds 100% leasehold interests of the Property.
- 8) In the course of our valuation, we have made reference to various leasing properties, which have comparable characteristics on the market. Comparables that had been selected ranges from RMB0.90 to 1.05 psm per day, exclusive of Value-added Tax (VAT) and property management fee. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, environment, building facilities, age/maintenance, etc. to determine the market rent of the Property. The adopted market rent of the Property, excluding VAT and property management fee, as at the Valuation Date is approximately RMB0.84 psm per day.
- 9) In DCF analysis, we have taken into account the determining factors of location, income and tenant mix of the Property and the rate of return requirement of property investors, and arrived at a discount rate of 8.75%. A terminal capitalisation rate of 6.0% was applied when deriving the present value of the cash flows after 10 years. In Income Capitalisation Method, the adopted capitalisation rate in our valuation is 6.60%. The capitalisation rate will apply to the rental income generated until the expiry of the land-use rights of the Property.
- 10) The general description and market information of the property are summarised as below:

Location	:	The Property is located at Fuyuan Avenue, Nan'an District, Chongqing, PRC.
Transportation	:	The Property is accessible by Fuyuan Avenue (富源大道), Gangkou Avenue, X754 County Road, Chongqing Belt Expressway and G50 (Hu (Shanghai)—Yu (Chongqing) Expressway), providing a convenient traffic network and easy access to the city centre, other districts of Chongqing and surrounding cities.
Nature of Surrounding Area	:	The subject area is a newly developing area surrounded by various vacant land, numbers of developing sites with construction in progress.

- 11) We have prepared our valuation based on the following assumptions:
- the information of the Property provided by the Company is true and correct;
 - the site is free from contamination and the ground conditions are satisfactory;
 - the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
 - all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
 - the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.
- 12) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:
- 重慶永翔市場經營管理有限公司 has obtained the necessary permits and approvals for the construction work of the Property;
 - 重慶永翔市場經營管理有限公司 has the right to use the land in accordance to the above mentioned real estate ownership certificates. Under the premise of complying with the mortgage contract agreement hereinafter, 重慶永翔市場經營管理有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure.
 - The signed lease contracts by 重慶永翔市場經營管理有限公司 and the lessees are effective.

- 13) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

State-owned Land-use Rights Grant Contract	Yes
State-owned Land-use Rights Certificate	Not Applicable
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Building Ownership Certificate	Not Applicable
Real Estate Ownership Certificate	Yes (for land only)
Business License	Yes

GROUP II—PROPERTY INTERESTS HELD BY THE GROUP UNDER DEVELOPMENT IN THE PRC

VALUATION SUMMARY 18—CHONGQING YONGXIANG MARKET MANAGEMENT CO., LTD. PHASES II & III

No.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019
18	Zone M, Chayuan Group (茶園組團), Nan'an District, Chongqing, PRC	The Property, Chongqing Yongxiang Warehouse Co., Ltd Phases II & III (重慶永翔市場經營管理有限公司二期和三期), consists of three adjoining pieces of vacant land with a total site area of 185,253.00 sq m. It is located along the eastern side of Fuyuan Avenue, Nan'an District, Chongqing. According to the proposed development plan from the Company, the Property will comprise two phases with a total planned GFA of approximately 104,643.07 sq m. Phase I is scheduled to complete in Q2 2019. Phases II & III are scheduled to complete in Q2 2020. Pursuant to the Real Estate Ownership Certificates provided, the land-use rights of the Property have been granted for a term of 50 years expiring on July 11, 2067 for warehouse uses.	As of the date of inspection, the Property was still under construction.	RMB283,000,000 (RENMINBI TWO HUNDRED EIGHTY THREE MILLION) 100% interest¹ to be attributable to the Group 2: RMB283,000,000 (RENMINBI TWO HUNDRED EIGHTY THREE MILLION)

Note:

1. The subsidiary company of ESR Cayman Limited holds 50% of Chongqing Yongxiang's registered capital, will acquire the remaining 50% shares at a pre-agreed price in accordance with the agreement between the shareholders.

Notes:

- 1) Pursuant to the Real Estate Ownership Certificates, the land-use rights of the Property located in Zone M, Chayuan Group, Nan'an District, Chongqing, are vested in 重慶永翔市場經營管理有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	Expiry Date
Yu (2017) Nan'an Qu Bu Dong Chan Quan Di 000894856 Hao	81,839.00	Warehouse	July 11, 2067
Yu (2017) Nan'an Qu Bu Dong Chan Quan Di 000895091 Hao	103,414.00	Warehouse	July 11, 2067
Total	185,253.00		

- 2) Pursuant to the Construction Land Planning Permits, the planning of the construction land of the Property has been approved to 重慶永翔市場經營管理有限公司. The details are listed below:

Certificate Number	Location	Site Area (sq m)
Di Zi Di 500108201800012 Hao	Plot M14-1/02, Chayuan Group, Nan'an District	81,839.00
Di Zi Di 500108201800013 Hao	Plot M17-1/02, Chayuan Group, Nan'an District	103,414.00
Total		185,253.00

- 3) Pursuant to the Construction Work Planning Permits, the planning of the construction work of the Property has been approved to 重慶永翔市場經營管理有限公司. The details are listed below:

Certificate Number	Project Name	Detailed Location	Construction Scale (sq m)
Jian Zi Di 500108201800092	Chongqing Yongxiang Modern Logistics Park Phase II	Plot M14-1/02, Chayuan Group, Nan'an District	47,092.36
Jian Zi Di 500108201800093	Chongqing Yongxiang Modern Logistics Park Phase III	Plot M17-1/02, Chayuan Group, Nan'an District	57,550.71
Total			104,643.07

- 4) Pursuant to the Construction Work Commencement Permits, the construction work of the Property has been approved to commence by 重慶永翔市場經營管理有限公司. The details are listed below:

Certificate Number	Project Name	Detailed Location	Construction Scale (sq m)
500114201904040101	Chongqing Yongxiang Modern Logistics Park Phase II	Plot M14-1/02, Chayuan Group, Nan'an District	47,092.36
500114201904040201	Chongqing Yongxiang Modern Logistics Park Phase III	Plot M17-1/02, Chayuan Group, Nan'an District	57,550.71
Total			104,643.07

- 5) Pursuant to the Real Estate Registration Certificate dated March 29, 2019 provided, the Property was mortgaged to 重慶農村商業銀行股份有限公司渝中支行.
- 6) Pursuant to the Company Business License No.915001085634987976, 重慶永翔市場經營管理有限公司 with the address of No. 601 Keji Wuye Centre Rongying Building, No. 8 Yuma Road, Nan'an District, Chongqing, has been in business from November 15, 2010 to November 2, 2060 with the business scope of 市場設施租賃；市場管理服務；倉儲服務（除危險品、不含運輸）；倉儲設施的租賃；物業管理（取得相關行政許可後，在許可範圍內從事經營）；商務信息諮詢。（法律、法規禁止經營的，不得經營；法律、法規、國務院規定需審批的未獲審批前，不得經營）
- 7) The Owner holds 100% leasehold interests of the Property.
- 8) In the course of our valuation, we have made reference to various leasing properties, which have comparable characteristics on the market. Comparables that had been selected range from RMB0.90 to 1.05 psm per day, exclusive of Value-added Tax (VAT) and property management fee. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, environment, building facilities, age/maintenance, etc. to determine the market rent of the Property. The adopted market rent of the Property, excluding VAT and property management fee, as at the Valuation Date is approximately RMB0.84 psm per day.
- 9) In the course of arriving at the Gross Development Value (GDV) of the Property, we have adopted the DCF Method and Income Capitalization Method. In DCF analysis, we have taken into account the determining factors of location, income and tenant mix of the Property and the rate of return requirement of property investors and arrived at a discount rate of 8.75%. A terminal capitalization rate of 6.0% was applied when deriving the present value of the cash flows after 10 years. In Income Capitalization Method, the adopted capitalization rate in our valuation is 6.60%. The capitalization rate will apply to the rental income generated until the expiry of the land-use rights of the Property.
- 10) The Gross Development Value of the Property as at the Valuation Date was assessed at RMB461,000,000. According to the information provided by the Company, the total outstanding construction cost, as at the Valuation Date, was approximately RMB126,200,000, which has been taken into account in our valuation.
- 11) The general description and market information of the property are summarized as below:

Location	:	The Property is located at Fuyuan Avenue, Nan'an District, Chongqing, PRC.
Transportation	:	The Property is accessible by Fuyuan Avenue (富源大道), a newly formed three-lane dual way road. Gangkou Avenue / 754 County Road, Chongqing Belt Expressway and Hu-Yu Expressway, providing a convenient traffic network and easy access to the city center, other districts of Chongqing and surrounding cities.
Nature of Surrounding Area	:	The subject area is a newly developing area surrounded by various vacant land, numbers of developing sites with construction in progress.

- 12) We have prepared our valuation based on the following assumptions:

- the information of the Property provided by the Company is true and correct;
- the site is free from contamination and the ground conditions are satisfactory;
- the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
- all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
- the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.

- 13) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:

- 重慶永翔市場經營管理有限公司 has obtained the necessary permits and approvals for the construction work of the Property;

- 重慶永翔市場經營管理有限公司 has the right to use the land in accordance to the above mentioned real estate ownership certificate. Under the premise of complying with the mortgage contract agreement hereinafter, 重慶永翔市場經營管理有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure;

14) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Company are as follows:

State-owned Land-use Rights Grant Contract	Yes
State-owned Land-use Rights Certificate	Not Applicable
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Building Ownership Certificate	Not Applicable
Real Estate Ownership Certificate	Yes (for land only)
Business License	Yes

VALUATION SUMMARY 19—SHANGHAI YURUN MEAT FOOD CO., LTD.

NO.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019
19	No. 2989 Baishi Highway (白石公路), Baihe Town (白鶴鎮), Qingpu District, Shanghai, PRC.	The Property, known as Shanghai Yurun Meat Food Co., Ltd. (上海雨潤肉食品有限公司), comprises an irregular-shaped industrial land parcel located at Qiu 90/6, Jiangnan Village, Baihe Town, Qingpu District, Shanghai. The site area is 260,026.01 sq m. As advised by the Company, the Property is earmarked for construction of a multi-story warehouse. Pursuant to the Real Estate Ownership Certificate provided, the state-owned land-use rights of the Property have been granted for a term of 50 years expiring on April 23, 2056 for industrial purposes.	As of the date of inspection, the Property was under construction.	RMB1,087,000,000 (RENMINBI ONE BILLION EIGHTY SEVEN MILLION) 74% interest to be attributable to the Group 2: RMB804,400,000 (RENMINBI EIGHT HUNDRED AND FOUR MILLION FOUR HUNDRED THOUSAND)

Notes:

- 1) Pursuant to the Real Estate Ownership Certificate, the state-owned land-use rights of the Property located at Qiu 90/6, Jiangnan Village, Baihe Town, Qingpu District are vested in 上海雨潤肉食品有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	Expiry Date
Hu (2017) Qing Zi Bu Dong Chan Quan Di 001447 Hao	260,026.01	Industrial	April 23, 2056
Total	260,026.01		

- 2) Pursuant to the Construction Land Planning Permit, the planning of the construction land of the Property has been approved to 上海雨潤肉食品有限公司. The details are listed below:

Certificate Number	Project Name	Land Use	Site Area (sq m)
Hu Qing Di (2007) 18071218E02026	New workshop and ancillary facilities	Industrial	301,317.00
Total			301,317.00

- 3) Pursuant to the Construction Work Planning Permit, the planning of the construction work of the Property has been approved to 上海雨潤肉食品有限公司. The details are listed below:

Certificate Number	Project Name	Detailed Location	Construction Scale (sq m)
Hu Qing Jian (2019) FA31011820196707	Workshop renovation project	Qiu 90/6, Jiangnan Village, Baihe Town	348,150.96
Total			348,150.96

- 4) Pursuant to the Construction Work Commencement Permit, the construction work of the Property has been approved to commence by 上海雨潤肉食品有限公司. The details are listed below:

Certificate Number	Project Name	Detailed Location	Construction Scale (sq m)
1802QP0265D01	Shanghai Yurun Meat Food Co., Ltd. workshop renovation project	Qiu 90/6, Jiangnan Village, Baihe Town	348,150.96
Total			348,150.96

- 5) We have not been provided with any relevant information about mortgage and encumbrances of the Property. We are therefore unable to comment on any related matters and advise that a legal opinion should be sought regarding the legality, transferability of title and the existence of any current or potential encumbrances attached to the Property.

- 6) Pursuant to the Company Business License No.91310118555980794Q, 上海雨潤肉食品有限公司 with the address of No. 2989 Baishi Highway Baihe Town, Qingpu District, Shanghai, has been in business from June 3, 2010 to June 2, 2040 with the business scope of 生豬定點屠宰、倉儲服務(危險化學品除外)、自有房屋租賃。(依法須經批准的項目，經相關部門批准後方可開展經營活動)
- 7) The Owner holds 100% leasehold interests of the Property.
- 8) In assessing the market price of the Property, we have made reference to sales price of similar properties in the vicinity. Comparable properties are located in close proximity to the Property with similar conditions, size and tenure, etc. Comparables that had been selected range from RMB2,000,000 to RMB2,750,000 per mu*. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, plot ratio, zoning, environment, public facilities, etc. to determine the unit price of the Property. The adopted unit price of the Property is approximately RMB2,120,000 per mu.

*1 mu = 666.67 sq m

- 9) According to the information provided by the Company, the total construction cost incurred for the Property was approximately RMB250,700,000 as of the Date of Valuation, which has been taken into account in our valuation.
- 10) The general description and market information of the property are summarized as below:

Location : The Property is located south of Baishi Highway (白石公路), between Jiangping Road (江平路) and Nanxiang Road (南巷路), Qingpu District, Shanghai, PRC.

Transportation : The Property is accessible via Baishi Highway, Jiangping Road and Nanxiang Road. Three expressways, namely S26 (Shanghai- Changzhou), G2 (Beijing—Shanghai) and G1501 (Shanghai Ring Expressway) are situated near the Property to the south, north and east, respectively.

Nature of Surrounding Area : The subject area is mixed use in nature, comprising industrial, residential and rural properties.

- 11) We have prepared our valuation based on the following assumptions:

- the information of the Property provided by the Company is true and correct;
- the site is free from contamination and the ground conditions are satisfactory;
- the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
- all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
- the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.

- 12) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:

- 上海雨潤肉食品有限公司 has obtained the necessary permits and approvals for the renovation work of the Property;
- 上海雨潤肉食品有限公司 has the right to use the land in accordance to the above mentioned real estate ownership certificate. 上海雨潤肉食品有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure;

- 13) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Company are as follows:

State-owned Land-use Rights Grant Contract	Yes
State-owned Land-use Rights Certificate	Not Applicable
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Building Ownership Certificate	Not Applicable
Real Estate Ownership Certificate	Yes (for land only)
Business License	Yes

VALUATION SUMMARY 20—CHANGSHA YIZHU WAREHOUSING SERVICES CO., LTD. PHASE II

NO.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019
20	South and north of Wangjiachong Road (王家衝路) and west of Dongshier Road (東十二路), Changsha Economic Development Zone, Changsha, Hunan Province, PRC	The Property, known as Changsha Yizhu Warehouse Services Co., Ltd. Phase II (長沙易竹倉儲服務有限公司二期). The Property is a proposed high-standard logistics project that will be erected on a roughly rectangular-shaped land lot with a site area of 67,895.81 sq m, situated at the north of Wangjiachong Road. As advised by the Company, it is earmarked for construction of multi-story warehouses with a total GFA of approximately 67,366.07 sq m. Pursuant to the Real Estate Ownership Certificate provided, the state-owned land-use rights of the Property have been granted for a term of 50 years expiring on November 30, 2067 for warehouse purposes.	At the date of inspection, the Property was under construction.	RMB193,000,000 (RENMINBI ONE HUNDRED NINETY THREE MILLION) 100% interest to be attributable to the Group 2: RMB193,000,000 (RENMINBI ONE HUNDRED NINETY THREE MILLION)

Notes:

- 1) Pursuant to the Real Estate Ownership Certificate, the state-owned land-use rights of the Property located west of Dongshier Road and north of Wangjiachong Road, Changsha Economic Development Zone, are vested in 長沙易竹倉儲服務有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	Expiry Date
Xiang (2018) Chang Sha Xian Bu Dong Chan Quan Di 0003949 Hao	67,895.81	Warehouse	November 30, 2067
Total	67,895.81		

- 2) Pursuant to the Construction Land Planning Permit, the planning of the construction land of the Property has been approved to 長沙易竹倉儲服務有限公司. The details are listed below:

Certificate Number	Location	Site Area (sq m)
Jian Gui (Di) Zi Di Jing Kai Chu (2018) 0007 Hao	West of Dongshier Road, South of Nanzhuyuan Road, North of Wangjiachong Road, Changsha Economic Development Zone	67,895.81
Total		67,895.81

- 3) Pursuant to the Construction Work Planning Permit, the planning of the construction work of the Property has been approved to 長沙易竹倉儲服務有限公司. The details are listed below:

Certificate Number	Project Name	Detailed Location	Construction Scale (sq m)
Jian Gui [Jian] Zi Di Jing Kai 2 [2018]0063 Hao	Yishang Changsha E-commerce and Retail Logistics Park Phase II	West of Dongshier Road, South of Nanzhuyuan Road, North of Wangjiachong Road, Changsha Economic Development Zone	67,366.07
Total			67,366.07

- 4) Pursuant to the Construction Work Commencement Permit, the construction work of the Property has been approved to commence by 長沙易竹倉儲服務有限公司. The details are listed below:

<u>Certificate Number</u>	<u>Project Name</u>	<u>Detailed Location</u>	<u>Construction Scale</u> (sq m)
430112201812240101	Yishang Changsha E-commerce and Retail Logistics Park Phase II	West of Dongshier Road, South of Nanzhuyuan Road, North of Wangjiachong Road, Changsha Economic Development Zone	67,366.07
<i>Total</i>			67,366.07

- 5) We have not been provided with any relevant information about mortgage and encumbrances of the Property. We are therefore unable to comment on any related matters and advise that a legal opinion should be sought regarding the legality, transferability of title and the existence of any current or potential encumbrances attached to the Property.
- 6) Pursuant to the Company Business License No.91430100MA4M0FDLXN, 長沙易竹倉儲服務有限公司 with the address of Room 301 Building 3, Xingwei Chuangxin Park, No. 57 South Section of Huangxing Avenue, Changsha Economic Development Zone, Changsha, has been in business from August 9, 2017 to August 8, 2067 with the business scope of 從事倉儲服務（除危險品、不含運輸）、工業及倉儲設施的建設及經營、物業管理、技術諮詢、商務信息諮詢、物流園經營服務。（依法須經批准的項目，經相關部門批准後方可開展經營活動）
- 7) The Owner holds 100% leasehold interests of the Property.
- 8) In the course of our valuation, we have made reference to various leasing properties, which have comparable characteristics on the market. Comparables that had been selected range from RMB0.95 to 1.00 psm per day, exclusive of Value-added Tax (VAT) and property management fee. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, environment, building facilities, age/maintenance, etc. to determine the market rent of the Property. The adopted market rent of the Property, excluding VAT and property management fee, as at the Valuation Date is approximately RMB0.98 psm per day.
- 9) In the course of arriving at the Gross Development Value (GDV) of the Property, we have adopted the DCF Method and Income Capitalization Method. In DCF analysis, we have taken into account the determining factors of location, income and tenant mix of the Property and the rate of return requirement of property investors and arrived at a discount rate of 9.0%. A terminal capitalization rate of 6.25% was applied when deriving the present value of the cash flows after 10 years. In Income Capitalization Method, the adopted capitalization rate in our valuation is 6.85%. The capitalization rate will apply to the rental income generated until the expiry of the land-use rights of the Property.
- 10) The Gross Development Value of the Property as at the Valuation Date was assessed at RMB340,000,000. According to the information provided by the Company, the total outstanding construction cost, as at the Valuation Date, was approximately RMB112,200,000, which has been taken into account in our valuation.
- 11) The general description and market information of the property are summarized as below:

Location	:	The Property is located west of Dongshier Road (東十二路), Wangjiachong Road (王家衝路), Changsha Economic Development Zone.
Transportation	:	The Property is accessible by Wangjiachong Road. Three expressways, namely S20 (Changsha—Liuyang), G0401 (Changsha Ring Road Expressway) and S40 (Airport Expressway) are situated near the Property to the north, east and south, respectively.
Nature of Surrounding Area	:	The subject area is clustered with industrial developments.

- 12) We have prepared our valuation based on the following assumptions:
- the information of the Property provided by the Company is true and correct;
 - the site is free from contamination and the ground conditions are satisfactory;
 - the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
 - all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
 - the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.
- 13) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:
- 長沙易竹倉儲服務有限公司 has obtained the necessary permits and approvals for the construction work of the Property;
 - 長沙易竹倉儲服務有限公司 has the right to use the land in accordance to the above mentioned real estate ownership certificate. 長沙易竹倉儲服務有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure;

- 14) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Company are as follows:

State-owned Land-use Rights Grant Contract	Yes
State-owned Land-use Rights Certificate	Not Applicable
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Building Ownership Certificate	Not Applicable
Real Estate Ownership Certificate	Yes (for land only)
Business License	Yes

VALUATION SUMMARY 21—WENZHOU YIRUI WAREHOUSE SERVICES CO., LTD.

NO.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019
21	Plot 26, Dingshan Phase II (丁山二期), Economic Development Zone, Rui'an, Wenzhou, Zhejiang Province, PRC	The Property, known as Wenzhou Yirui Warehouse Services Co., Ltd. (温州易瑞倉儲服務有限公司), is located at the Plot 26, Dingshan Phase II, Economic Development Zone, Rui'an, Wenzhou. The site area is 86,666.70 sq m. As advised by the Company, upon completion, the Property will mainly comprise three high-standard three-story warehouses with ramp with a proposed construction scale of approximately 129,173.12 sq m. At the time of inspection, the Property was a piece of vacant land. Pursuant to the Real Estate Ownership Certificate provided, the land-use rights of the Property have been granted to 温州易瑞倉儲服務有限公司 for a term of 50 years expiring on November 8, 2068 for warehouse uses.	At the date of inspection, the Property was under construction.	RMB144,000,000 (RENMINBI ONE HUNDRED FORTY FOUR MILLION) 100% interest to be attributable to the Group 2: RMB144,000,000 (RENMINBI ONE HUNDRED FORTY FOUR MILLION)

Notes:

- 1) Pursuant to the Real Estate Ownership Certificate, the land-use rights of the Property located at Plot 26, Dingshan Phase II, Economic Development Zone, Rui'an, Wenzhou, are vested in 温州易瑞倉儲服務有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	Expiry Date
Zhe (2018) Rui An Shi Bu Dong Chan Quan Di 0054819 Hao	86,666.70	Warehouse	November 8, 2068
Total	86,666.70		

- 2) Pursuant to the Construction Work Planning Permits, the planning of the construction work of the Property has been approved to 温州易瑞倉儲服務有限公司. The details are listed below:

Certificate Number	Project Name	Detailed Location	Construction Scale (sq m)
Jian Zi Di (2019) 0311104 Hao	Wenzhou Yirui Intelligent Logistics Supply Chain Project	Dingshan Phase II	129,173.12
Total			129,173.12

- 3) Pursuant to the Construction Work Commencement Permit, the construction work of the Property has been approved to commence by 温州易瑞倉儲服務有限公司. The details are listed below:

Certificate Number	Project Name	Detailed Location	Construction Scale (sq m)
330381201903220101	Wenzhou Yirui Intelligent Logistics Supply Chain Project	Dingshan Phase II	129,173.12
Total			129,173.12

- 4) We have not been provided with any relevant information about mortgage and encumbrances of the Property. We are therefore unable to comment on any related matters and advise that a legal opinion should be sought regarding the legality, transferability of title and the existence of any current or potential encumbrances attached to the Property.

- 5) Pursuant to the Company Business License No.91330381MA2CRBNU06, 溫州易瑞倉儲服務有限公司 with the address of Room 202 Unit 4 Building 1, Mingzhu Tower, Yuhai Neighbourhood, Rui'an, has been in business from September 6, 2018 to September 5, 2068 with the business scope of 從事倉儲服務（除危險品、不含運輸）、工業及倉儲設施的建設及經營；物業管理物流信息技術諮詢；商務信息諮詢（不含投資信息諮詢）依法須經批准的項目，經相關部門批准後方可開展經營活動）
- 6) The Owner holds 100% leasehold interests of the Property.
- 7) In assessing the market price of the Property, we have made reference to sales price of similar properties in the vicinity. Comparable properties are located in the close proximity to the Property with similar conditions, size and tenure, etc. Comparables that had been selected range from RMB1,000,000 to RMB1,400,000 per mu*. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, plot ratio, zoning, environment, public facilities, etc. to determine the unit price of the Property. The adopted unit price of the Property is approximately RMB760,000 per mu.

*1 mu = 666.67 sq m

- 8) According to the information provided by the Company, the total construction cost incurred for the Property was approximately RMB44,800,000 as of the Date of Valuation, which has been taken into account in our valuation.
- 9) The general description and market information of the property are summarized as below:

Location	:	The Property is located north of Binjiang Avenue (濱江大道) and east of Fenghuang Road (鳳凰路), Economic Development Zone, Rui'an, Wenzhou, Zhejiang Province, PRC
Transportation	:	The Property is accessible via Binjiang Avenue. The S10 expressway (Ningbo—Taizhou—Wenzhou) is situated near the Property to the west, providing convenient traffic access to downtown Wenzhou and other neighboring cities.
Nature of Surrounding Area	:	The subject area is situated within the Rui'an Economic Development Zone at the eastern side of Rui'an. It enjoys a convenient transportation network. It is surrounded by a cluster of vacant land and industrial properties.

- 10) We have prepared our valuation based on the following assumptions:
- the information of the Property provided by the Company is true and correct;
 - the site is free from contamination and the ground conditions are satisfactory;
 - the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
 - all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
 - the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.
- 11) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:
- 溫州易瑞倉儲服務有限公司 has obtained the necessary permits and approvals for the construction work of the Property;
 - 溫州易瑞倉儲服務有限公司 has the right to use the land in accordance to the above mentioned real estate ownership certificate. 溫州易瑞倉儲服務有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure;
- 12) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Company are as follows:

State-owned Land-use Rights Grant Contract	Yes
State-owned Land-use Rights Certificate	Not Applicable
Construction Land Planning Permit	Not Applicable
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	Yes
Building Ownership Certificate	Not Applicable
Real Estate Ownership Certificate	Yes (for land only)
Business License	Yes

VALUATION SUMMARY 22—SHANGHAI JIANGNAN SHIPS AND BOATS MANUFACTURING CO., LTD.

NO.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019
22	4/9 Qiu, 11 Neighbourhood, Zhelin Town (柘林鎮 11 街坊 4/9 丘), Fengxian District, Shanghai, PRC	The Property, known as Shanghai Jiangnan Ships and Boats Manufacturing Co., Ltd. (上海江南船艇製造有限公司), is located at No. 999 Hailong Road, Fengxian District, Shanghai. The site area is 33,333.40 sq m. As advised, the Property will be redeveloped into a two-storey warehouse with cargo lift access with total planned GFA of approximately 35,814.77 sq m. Pursuant to the Real Estate Ownership Certificate provided, the land-use rights of the Property have been granted for a term of 50 years expiring on April 17, 2058 for industrial uses.	According to the information provided, the Property was under construction.	RMB141,000,000 (RENMINBI ONE HUNDRED FORTY ONE MILLION) 100% interest to be attributable to the Group 2: RMB141,000,000 (RENMINBI ONE HUNDRED FORTY ONE MILLION)

Notes:

- 1) Pursuant to the Real Estate Ownership Certificate, the land-use rights of the Property located at 4/9 Qiu, 11 Neighbourhood, Zhelin Town, Fengxian District, are vested in 上海江南船艇製造有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	Expiry Date
Hu Fang Di Feng Zi (2008) Di 012796 Hao	33,333.40	Industrial	April 17, 2058
Total	33,333.40		

- 2) Pursuant to the Construction Land Planning Permit, the planning of the construction land of the Property has been approved to 上海江南船艇製造有限公司. The details are listed below:

Certificate Number	Project Name	Land Use	Site Area (sq m)
Hu Feng Di (2008) 20080606E00658	Annual production of 200 lifeboats projects	Industrial	333,333
Total			333,333

- 3) Pursuant to the Construction Work Planning Permit, the planning of the construction work of the Property has been approved to 上海江南船艇製造有限公司. The details are listed below:

Certificate Number	Project Name	Detailed Location	Construction Scale (sq m)
Hu Feng Jian (2019) FA31012020197056	Intelligent Manufacturing Industrial Park Project	Wanpu Cable Factory to the east, planned land to the south, Haitong Road (Hangpeng Road) to the west, Hailong Road to the north, Zhelin Town, Fengxian District	35,814.77
Total			35,814.77

- 4) Pursuant to the Construction Work Commencement Permit, the construction work of the Property has been approved to commence by 上海江南船艇製造有限公司. The details are listed below:

Certificate Number	Project Name	Detailed Location	Construction Scale (sq m)
1902FX0038D01	Intelligent Manufacturing Industrial Park Project (Workshop and affiliated facilities and enclosure)	No.999 Hailong Road, Fengxian District, Shanghai	35,814.77
Total			35,814.77

- 5) We have not been provided with any relevant information about mortgage and encumbrances of the Property. We are therefore unable to comment on any related matters and advise that a legal opinion should be sought regarding the legality, transferability of title and the existence of any current or potential encumbrances attached to the Property.

- 6) Pursuant to the Company Business License No.91310120660777886K, 上海江南船艇製造有限公司 with the address of No. 148 Gongpingcun Road, Zhelin Town, Fengxian District, Shanghai, has been in business from March 14, 2007 to March 13, 2037 with the business scope of 船艇、船用設備設計、製造、銷售、玻璃鋼製品製造、游艇銷售、從事貨物及技術的進出口業務、從事倉儲服務（除危險化學品）、商務信息諮詢。（依法須經批准的項目，經相關部門批准後方可開展經營活動）。
- 7) The Owner holds 100% leasehold interests of the Property.
- 8) In the course of our valuation, we have made reference to various leasing properties, which have comparable characteristics on the market. Comparables that had been selected ranges from RMB1.30 to 1.40 psm per day, exclusive of Value-added Tax (VAT) and property management fee. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, environment, building facilities, age/maintenance, etc. to determine the market rent of the Property. The adopted market rent of the Property, excluding VAT and property management fee, as at the Valuation Date is approximately RMB1.30 psm per day.
- 9) In the course of arriving at the Gross Development Value (GDV) of the Property, we have adopted the DCF Method and Income Capitalisation Method. In DCF analysis, we have taken into account the determining factors of location, income and tenant mix of the Property and the rate of return requirement of property investors and arrived at a discount rate of 8.5%. A terminal capitalization rate of 5.50% was applied when deriving the present value of the cash flows after 10 years. In Income Capitalisation Method, the adopted capitalisation rate in our valuation is 6.15%. The capitalization rate will apply to the rental income generated until the expiry of the land-use rights of the Property.
- 10) The Gross Development Value of the Property as at the Valuation Date were assessed at RMB262,000,000. According to the information provided by the Company, the total outstanding construction cost, as at the Valuation Date, was approximately RMB28,000,000, which has been taken into account in our valuation.
- 11) The general description and market information of the property are summarised as below:
- | | | |
|----------------------------|---|---|
| Location | : | The Property is located at No. 999 Hailong Road (海龍路), Fengxian District, Shanghai, PRC |
| Transportation | : | The Property is accessible via Hailong Road. The G15 Expressway (Shenyang—Haikou) is situated near the Property to the north, providing convenient traffic access to downtown Shanghai and other neighbouring cities. |
| Nature of Surrounding Area | : | The subject area is situated within Fengxian District in southern Shanghai. It enjoys a convenient transportation network. It is surrounded by a cluster of vacant land and industrial properties |
- 12) We have prepared our valuation based on the following assumptions:
- the information of the Property provided by the Company is true and correct;
 - the site is free from contamination and the ground conditions are satisfactory;
 - the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
 - all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
 - the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.
- 13) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:
- 上海江南船艇製造有限公司 has the right to use the land in accordance to the above mentioned real estate ownership certificate. 上海江南船艇製造有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure.
- 14) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Company are as follows:
- | | |
|--|---------------------|
| State-owned Land-use Rights Grant Contract | No |
| State-owned Land-use Rights Certificate | Not Applicable |
| Construction Land Planning Permit | Yes |
| Construction Work Planning Permit | Yes |
| Construction Work Commencement Permit | Yes |
| Building Ownership Certificate | Not Applicable |
| Real Estate Ownership Certificate | Yes (for land only) |
| Business License | Yes |

VALUATION SUMMARY 23 – FUJIAN PINGFU SCIENCE AND TECHNOLOGY DEVELOPMENT CO., LTD.

NO.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019
23	Guilin Village, Danyang Town, Lianjiang County, Fuzhou, Fujian Province, PRC	The Property, known as Fujian Pingfu Science and Technology Development Co., Ltd. (福建平福科技發展有限公司), is located at Guilin Village, Danyang Town, Lianjiang County, with a total site area of 168,781.00 sq m. As advised by the Company, the Property is earmarked for construction of warehouses. Pursuant to the Real Estate Ownership Certificate provided, the land-use rights of the Property have been granted for a term of 50 years expiring on March 24, 2069 for warehouse uses.	At the date of inspection, the Property was at an early stage of construction.	RMB72,000,000 (RENMINBI SEVENTY TWO MILLION) 90% interest to be attributable to the Group 2: RMB64,800,000 (RENMINBI SIXTY FOUR MILLION EIGHT HUNDRED THOUSAND)

Notes:

- 1) Pursuant to the Real Estate Ownership Certificate, the land-use rights of the Property located at Guilin Village, Danyang Town, Lianjiang County, Fuzhou, are vested in 福建平福科技發展有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	Expiry Date
Min (2019) Lian Jiang Xian Bu Dong Chan Quan Di 0009746 Hao	168,781.00	Warehouse	24 March 2069
Total	168,781.00		

- 2) Pursuant to the Construction Land Planning Permit, the planning of the construction land of the Property has been approved to 福建平福科技發展有限公司. The details are listed below:

Certificate Number	Location	Site Area (sq m)
Lian Cun Di Zi Di 350122201900016 Hao	Guilin Village, Danyang Town, Lianjiang County, Fuzhou	168,781.00
Total		168,781.00

- 3) We have not been provided with any relevant information about mortgage and encumbrances of the Property. We are therefore unable to comment on any related matters and advise that a legal opinion should be sought regarding the legality, transferability of title and the existence of any current or potential encumbrances attached to the Property.
- 4) Pursuant to the Company Business License No. 91350122MA2YQ1AL1U, 福建平福科技發展有限公司 with the address of Room 203, Floor 2, Qiaolian Building, Danfeng Road, Lianjiang County, Fuzhou, Fujian Province, has been in business from 16 November 2017 with the business scope of 從事計算機網絡科技領域內技術開發、技術服務；電子商務信息諮詢服務；房地產開發及銷售；房地產中介服務、物業管理、自有房租賃；汽車及汽車零配件、日用百貨、電子產品銷售；承辦、設計、製作、發布、代理國內各類廣告；會議及展覽服務；倉儲服務（除危險化學品）；普通貨物道路運輸；機械設備（不含軌道交通運輸設備）的租賃；新能源技術研發；自營和代理各類商品和技術的進出口，但國家限定公司經營或禁止進出口的商品和技術除外。（依法須經批准的項目，經相關部門批准後方可開展經營活動）
- 5) The Owner holds 100% leasehold interests of the Property.
- 6) In assessing the market price of the Property, we have made reference to sales price of similar properties in the vicinity. Comparable properties are located in the close proximity to the Property with similar conditions, size and tenure, etc. Comparables that had been selected range from RMB175,000 to RMB260,000 per mu*. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, plot ratio, zoning, environment, public facilities, etc. to determine the unit price of the Property. The adopted unit price of the Property is approximately RMB212,000 per mu.

*1 mu = 666.67 sq m

- 7) According to the information provided by the Company, the total construction cost incurred for the Property was approximately RMB17,100,000 as of the Date of Valuation, which has been taken into account in our valuation.

8) The general description and market information of the property are summarised as below:

Location	:	The Property is located at Guilin Village, Danyang Town, Lianjiang County, Fuzhou, Fujian Province, PRC
Transportation	:	The Property is accessible via G104 National Highway. The G15 Shengyang—Haikou Expressway (沈海高速) is situated near the Property to the east, providing convenient traffic access to downtown Fuzhou and other neighbouring cities.
Nature of Surrounding Area	:	The subject area is situated within the Danyang Town at the northern of Fuzhou. It enjoys a convenient transportation network. It is surrounded by a cluster of vacant land and industrial properties.

9) We have prepared our valuation based on the following assumptions:

- the information of the Property provided by the Company is true and correct;
- the site is free from contamination and the ground conditions are satisfactory;
- the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
- all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
- the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.

10) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:

- 福建平福科技發展有限公司has obtained the Construction Land Planning Permit for the construction work of the Property;
- 福建平福科技發展有限公司has the right to use the land in accordance to the above mentioned real estate ownership certificates. 福建平福科技發展有限公司has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure.

11) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

State-owned Land-use Rights Grant Contract	Yes
State-owned Land-use Rights Certificate	No
Construction Land Planning Permit	Yes
Construction Work Planning Permit	No
Construction Work Commencement Permit	No
Building Ownership Certificate	No
Real Estate Ownership Certificate	Yes (for land only)
Business License	Yes

VALUATION SUMMARY 24—SUZHOU YISHANG QUANSHENG WAREHOUSE SERVICE CO., LTD.

NO.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019
24	East of Lianqiu Road (联秋路) and north of Datong Road (大同路), Lili Town, Suzhou, Jiangsu Province, PRC	The Property, known as Suzhou Yishang Quansheng Warehouse Service Co., Ltd. (蘇州易商全盛倉儲服務有限公司), is located east of Lianqiu Road and north of Datong Road, Lili Town, Suzhou, Jiangsu Province. The site area is 39,839.57 sq m. As advised by the Company, the Property is a built-to-suit logistics project comprising two single-storey warehouses with a planned GFA of approximately 29,287.38 sq m. Pursuant to the Real Estate Ownership Certificate provided, the land-use rights of the Property have been granted for a term of 50 years expiring on 11 June 2069 for industrial uses.	According to the information provided, the Property was under construction. According to the information provided, at the date of valuation, the Property was preleased to one tenancy. With the assumption that the initial investment of the project was RMB153,000,000, the tenancy will yield an initial monthly rental income of approximately RMB1,170,930 excl. property management fee. The overall occupancy rate of the Property will be about 100.0%.	RMB67,000,000 (RENMINBI SIXTY SEVEN MILLION) 55% interest to be attributable to the Group 2: RMB36,900,000 (RENMINBI THIRTY SIX MILLION AND NINE HUNDRED THOUSAND)

Notes:

- 1) Pursuant to the Real Estate Ownership Certificate, the land-use rights of the Property located east of Lianqiu Road and north of Datong Road, Lili Town, Suzhou, Jiangsu Province, are vested in 蘇州易商全盛倉儲服務有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	Expiry Date
Su (2019) Su Zhou Shi Wu Jiang Qu Bu Dong Chan Quan Di 9029915 Hao	39,839.57	Industrial	11 June 2069
Total	39,839.57		

- 2) Pursuant to the Construction Land Planning Permit, the planning of the construction land of the Property has been approved to 蘇州易商全盛倉儲服務有限公司. The details are listed below:

Certificate Number	Project Name	Location	Site Area (sq m)
Di Zi Di 320584201904007 Hao	New Project of Warehouse and Auxiliary Room Phase I	East of Lianqiu Road, North of Datong Road, Fenhu	39,839.57
Total			39,839.57

- 3) Pursuant to the Construction Work Planning Permit, the planning of the construction work of the Property has been approved to 蘇州易商全盛倉儲服務有限公司. The details are listed below:

Certificate Number	Project Name	Detailed Location	Construction Scale (sq m)
Jian Zi Di 320584201904019	New Project of Warehouse and Auxiliary Room Phase I	East of Lianqiu Road, North of Datong Road, Fenhu	29,287.38
Total			29,287.38

- 4) Pursuant to the Construction Work Commencement Permit, the construction work of the Property has been approved to commence by 蘇州易商全盛倉儲服務有限公司. The details are listed below:

Certificate Number	Project Name	Detailed Location	Construction Scale (sq m)
320509201907020101	New Warehouse and Auxiliary Phase I	East of Lianqiu Road, North of Datong Road	29,287.38
Total			29,287.38

- 5) Pursuant to the Company Business License No. 91320509MA1W43HJ18, 蘇州易商全盛倉儲服務有限公司 with the address of East of Fenhua Avenue, Lili Town, Wujiang District, Suzhou, has been in business from 11 February 2018 to 10 February 2068 with the business scope of 從事倉儲服務（除危險品、不含運輸），工業及倉儲設施的建設及經營，物業管理。（依法須經批准的項目，經相關部門批准後方可開展經營活動）。
- 6) We have not been provided with any relevant information about mortgage and encumbrances of the Property. We are therefore unable to comment on any related matters and advise that a legal opinion should be sought regarding the legality, transferability of title and the existence of any current or potential encumbrances attached to the Property.
- 7) The Owner holds 100% leasehold interests of the Property.
- 8) In the course of our valuation, we have made reference to various leasing properties, which have comparable characteristics on the market. Comparables that had been selected ranges from RMB1.05 to 1.15 psm per day, exclusive of Value-added Tax (VAT) and property management fee. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, environment, building facilities, age/maintenance, etc. to determine the market rent of the Property. The adopted market rent of the Property, excluding VAT and property management fee, as at the Valuation Date is approximately RMB1.20 psm per day.
- 9) In the course of arriving at the Gross Development Value (GDV) of the Property, we have adopted the DCF Method and Income Capitalisation Method. In DCF analysis, we have taken into account the determining factors of location, income and tenant mix of the Property and the rate of return requirement of property investors and arrived at a discount rate of 8.75%. A terminal capitalization rate of 6.0% was applied when deriving the present value of the cash flows after 10 years. In Income Capitalisation Method, the adopted capitalisation rate in our valuation is 6.60%. The capitalization rate will apply to the rental income generated until the expiry of the land-use rights of the Property.
- 10) The Gross Development Value of the Property as at the Valuation Date were assessed at RMB198,000,000. According to the information provided by the Company, the total outstanding construction cost, as at the Valuation Date, was approximately RMB43,000,000, which has been taken into account in our valuation.
- 11) The general description and market information of the property are summarised as below:
- | | | |
|----------------------------|---|--|
| Location | : | East of Lianqiu Road and north of Datong Road, Lili Town, Suzhou, Jiangsu Province, PRC |
| Transportation | : | The Property is accessible via Lianqiu Road. The G50 Expressway (Shanghai—Chongqing) is situated north of the Property, providing convenient traffic access to Shanghai and other neighbouring cities. |
| Nature of Surrounding Area | : | The subject area is situated within FOHO Economic Development Zone. It enjoys a convenient transportation network. It is surrounded by a cluster of logistics and industrial properties |
- 12) We have prepared our valuation based on the following assumptions:
- the information of the Property provided by the Company is true and correct;
 - the site is free from contamination and the ground conditions are satisfactory;
 - the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
 - all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
 - the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.
- 13) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:
- 蘇州易商全盛倉儲服務有限公司 has obtained the Construction Work Commencement Permit for the construction work of the Property;
 - 蘇州易商全盛倉儲服務有限公司 has the right to use the land in accordance to the above mentioned real estate ownership certificate. 蘇州易商全盛倉儲服務有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure.
- 14) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:
- | | |
|--|---------------------|
| State-owned Land-use Rights Grant Contract | No |
| State-owned Land-use Rights Certificate | Not Applicable |
| Construction Land Planning Permit | Yes |
| Construction Work Planning Permit | Yes |
| Construction Work Commencement Permit | Yes |
| Building Ownership Certificate | Not Applicable |
| Real Estate Ownership Certificate | Yes (for land only) |
| Business License | Yes |

VALUATION SUMMARY 25—QINGYUAN ANQING INFORMATION TECHNOLOGY DEVELOPMENT CO., LTD.

NO.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT 30 SEPTEMBER 2019
25	Xiuxi Village (秀溪村), Yuantan Town (源潭鎮), Qingcheng District (清城區), Qingyuan, Guangdong Province, PRC	The Property, known as Qingyuan Anqing Information Technology Development Co., Ltd. (清遠市安清信息科技發展有限公司), is located Xiuxi Village, Yuantan Town, Qingcheng District, Qingyuan, Guangdong Province. The site area is 175,993.02 sq m. As advised by the Company, the Property is earmarked for construction of warehouses. Pursuant to the Real Estate Ownership Certificate provided, the land-use rights of the Property have been granted for a term of 50 years expiring on November 18, 2068 for industrial uses.	According to the information provided, the Property was at an early stage of construction.	RMB133,000,000 (RENMINBI ONE HUNDRED THIRTY THREE MILLION) 95% interest to be attributable to the Group 2: RMB126,400,000 (RENMINBI ONE HUNDRED TWENTY SIX MILLION FOUR HUNDRED THOUSAND)

Notes:

- 1) Pursuant to the Real Estate Ownership Certificate, the land-use rights of the Property located Xiuxi Village, Yuantan Town, Qingcheng District, Qingyuan, are vested in 清遠市安清信息科技發展有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	Expiry Date
Yue (2019) Qing Yuan Shi Bu Dong Chan Quan Di 0010980 Hao	175,993.02	Warehouse	18 November 2068
Total	175,993.02		

- 2) Pursuant to the Construction Land Planning Permit, the planning of the construction land of the Property has been approved to 清遠市安清信息科技發展有限公司. The details are listed below:

Certificate Number	Location	Site Area (sq m)
Di Zi Di Yong Di Xu Ke B20190003 Hao	Xiuxi Village, Yuantan Town, Qingcheng District, Qingyuan	175,993.02
Total		175,993.02

- 3) We have not been provided with any relevant information about mortgage and encumbrances of the Property. We are therefore unable to comment on any related matters and advise that a legal opinion should be sought regarding the legality, transferability of title and the existence of any current or potential encumbrances attached to the Property.
- 4) Pursuant to the Company Business License No. 91441800MA51HX9G8T, 清遠市安清信息科技發展有限公司 with the address of No. 16, Level 3, Building 6, Jinmao Hanlinyuan, No.25 Jingfu Road, Qingcheng District, Qingyuan, has been in business from 11 April 2018 with the business scope of 信息、汽車配件、電子科技領域內技術開發、技術諮詢、技術服務；企業管理諮詢；房地產經紀；物業管理；房屋租賃，有形動產經營租賃；從事貨物及技術的進出口業務；設計、制作、發布各類廣告；會展服務；自有設備租賃；汽車銷售；汽車配件加工；汽車零配件及用品銷售；軟件科技領域技術開發（不含增值電信）、技術轉讓、技術諮詢、技術服務；供應鏈管理；第三方物流管理，物流方案設計，貨運信息中介，貨運代理，倉儲服務（除危險化學品），冷凍信息服務；預包裝食品（憑許可證經營）、食用農產品（不含生豬產品、糧食）銷售；物流基地及其配套設施投資、建設、開發；商務信息諮詢。（以上項目不涉及外商投資准入特別管理措施。）（依法須經批准的項目，經相關部門批准後方可開展經營活動）
- 5) The Owner holds 100% leasehold interests of the Property.
- 6) In assessing the market price of the Property, we have made reference to sales price of similar properties in the vicinity. Comparable properties are located in the close proximity to the Property with similar conditions, size and tenure, etc. Comparables that had been selected range from RMB350,000 to RMB370,000 per mu*. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, plot ratio, zoning, environment, public facilities, etc. to determine the unit price of the Property. The adopted unit price of the Property is approximately RMB380,000 per mu.

*1 mu = 666.67 sq m

- 7) According to the information provided by the Company, the total construction cost incurred for the Property was approximately RMB31,900,000 as of the Date of Valuation, which has been taken into account in our valuation.

8) The general description and market information of the property are summarised as below:

Location	:	The Property is located Xiuxi Village, Yuantan Town, Qingcheng District, Qingyuan, Guangdong Province, PRC.
Transportation	:	The Property is near Zhandong Road (站東路). The National Highway G355 (G355國道) and G0423 Expressway (Lechang -Guangzhou) (樂廣高速) are situated near the Property to the south and east, providing convenient traffic access to downtown Qingyuan and other neighbouring cities.
Nature of Surrounding Area	:	The subject area is situated within Qingcheng District in eastern Qingyuan. It enjoys a convenient transportation network. It is surrounded by a cluster of vacant land and industrial properties.

9) We have prepared our valuation based on the following assumptions:

- the information of the Property provided by the Company is true and correct;
- the site is free from contamination and the ground conditions are satisfactory;
- the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
- all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
- the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.

10) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:

- 清遠市安清信息科技發展有限公司has obtained the Construction Land Planning Permit for the construction work of the Property;
- 清遠市安清信息科技發展有限公司has the right to use the land in accordance to the above mentioned real estate ownership certificate. 清遠市安清信息科技發展有限公司has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure.

11) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

State-owned Land-use Rights Grant Contract	Yes
State-owned Land-use Rights Certificate	Not Applicable
Construction Land Planning Permit	Yes
Construction Work Planning Permit	No
Construction Work Commencement Permit	No
Building Ownership Certificate	Not Applicable
Real Estate Ownership Certificate	Yes (for land only)
Business License	Yes

GROUP III—PROPERTY INTERESTS HELD BY THE GROUP FOR FUTURE DEVELOPMENT IN THE PRC

VALUATION SUMMARY 26—TIANJIN FANBIN WAREHOUSE SERVICES CO., LTD. PHASE II

No.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019
26	No.78 Fuyuan Avenue (復元道), Dawangguzhuang Town, Wuqing District, Tianjin, PRC	The Property, known as Tianjin Fanbin Warehouse Services Co., Ltd. Phase II (天津凡濱倉儲服務有限公司二期), is a logistics project erected on a roughly rectangular-shaped land lot with a total site area of 172,546.40 sq m for the overall development. At the time of inspection, the Property was a piece of vacant land. Pursuant to the Real Estate Ownership Certificate provided, the state-owned land-use rights of the Property have been granted for a term of 50 years expiring on February 11, 2064 for warehouse purposes.	At the date of inspection, the Property was still vacant land.	RMB4,000,000 (RENMINBI FOUR MILLION) 100% interest to be attributable to the Group 3: RMB4,000,000 (RENMINBI FOUR MILLION)

Notes:

- 1) Pursuant to the Real Estate Ownership Certificate, the state-owned land-use rights of the Tianjin Fanbin Warehouse Services Co., Ltd located at No. 78 Fuyuan Avenue, Dawangguzhuang Town, Wuqing District, are vested in 天津凡濱倉儲服務有限公司. The details are listed below:

<u>Certificate Number</u>	<u>Site Area</u> (sq m)	<u>Land Use</u>	<u>Expiry Date</u>
Jin (2016) Wu Qing Qu Bu Dong Chan Quan Di 038297 Hao	172,546.40	Warehouse	February 11, 2064
<i>Total</i>	<i>172,546.40</i>		

- 2) Pursuant to the Real Estate Registration Certificate dated May 24, 2019 provided, the Property was mortgaged to 上海農村商業銀行股份有限公司濱江支行 and 星展銀行(中國)有限公司上海分行.
- 3) Pursuant to the Company Business License No.91120222075910869L, 天津凡濱倉儲服務有限公司 with the address of No. 78 Fuyuan Avenue, Dawangguzhuang Town, Wuqing District, Tianjin, has been in business from August 22, 2013 to August 21, 2043 with the business scope of 倉儲服務(易燃、易爆、易制毒、危險化學品除外)、企業管理服務、商務信息諮詢服務、物業服務; 倉儲貨架、紙質包裝品(印刷除外)生產; 自有倉庫及倉儲設施租賃。(依法須經批准的項目, 經相關部門批准後方可開展經營活動)
- 4) The Owner holds 100% leasehold interests of the Property.
- 5) In assessing the market price of the Property, we have made reference to sales price of similar properties in the vicinity. Comparable properties are located in the close proximity to the Property with similar conditions, size and tenure, etc. Comparables that had been selected range from RMB340,000 to RMB450,000 per mu*. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, plot ratio, zoning, environment, public facilities, etc. to determine the unit price of the Property. The adopted unit price of the Property is approximately RMB400,000 per mu.

*1 mu = 666.67 sq m

- 6) The general description and market information of the property are summarized as below:

Location	:	The Property is located at No.78 Fuyuan Avenue, Dawangguzhuang Town, Wuqing District, Tianjin, PRC.
Transportation	:	The Property is accessible by Fuyuan Avenue (復元道) and an anonymous path, of which the former is a two-lane dual-way road and the latter is a two-lane road.
Nature of Surrounding Area	:	The subject area is clustered with a number of industrial factories, warehouse properties and residential and public facilities.

- 7) We have prepared our valuation based on the following assumptions:

- the information of the Property provided by the Company is true and correct;
- the site is free from contamination and the ground conditions are satisfactory;
- the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;

- all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
 - the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.
- 8) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:
- 天津凡濱倉儲服務有限公司 has the right to use the land in accordance to the above mentioned real estate ownership certificate. Under the premise of complying with the mortgage contract agreement hereinafter, 天津凡濱倉儲服務有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure;
- 9) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Company are as follows:

State-owned Land-use Rights Grant Contract	Yes
State-owned Land-use Rights Certificate	Not Applicable
Construction Land Planning Permit	No
Construction Work Planning Permit	No
Construction Work Commencement Permit	No
Building Ownership Certificate	Not Applicable
Real Estate Ownership Certificate	Yes (for land only)
Business License	Yes

VALUATION SUMMARY 27—WUHAN MINGLONG WAREHOUSE CO., LTD.

NO.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019
27	Junction of Majiadu (馬家渡) and Yongli Village (永利村), Caidian District, Wuhan, Hubei Province, PRC	The Property, known as Wuhan Minglong Warehouse Co., Ltd. (武漢明隆倉儲有限公司), is located at the junction of Majiadu and Yongli Village, Caidian District in Wuhan. The site area is approximately 102,282.00 sq m. According to the Company, upon completion, the Property will mainly comprise high-standard warehouses with a proposed construction scale of approximately 61,534.20 sq m. At the time of inspection, the Property was a piece of vacant land. Pursuant to the State-owned Land-use Rights Certificate provided, the land-use rights of the Property have been granted for a term of 50 years expiring on March 1, 2064 for warehouse uses.	At the date of inspection, the Property was still vacant land.	RMB66,000,000 (RENMINBI SIXTY SIX MILLION) 100% interest to be attributable to the Group 3: RMB66,000,000 (RENMINBI SIXTY SIX MILLION)

Notes:

- 1) Pursuant to the State-owned Land-use Rights Certificate, the land-use rights of the Property located at Majiadu, Yongli Village, Caidian Neighborhood, Caidian District, are vested in 武漢明隆倉儲有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	Expiry Date
Cai Guo Yong (2014) Di 2294 Hao	102,282.00	Warehouse	March 1, 2064
Total	102,282.00		

- 2) Pursuant to the Construction Land Planning Permit, the planning of the construction land of the Property has been approved to 武漢明隆倉儲有限公司. The details are listed below:

Certificate Number	Location	Site Area (sq m)
Di Zi Di Wu Gui (Cai) Di (2014) 026 Hao	Majiadu, Yongli Village, Caidian Neighborhood, Caidian District	124,257.00
Total		124,257.00

- 3) Pursuant to the Construction Work Planning Permit, the planning of the construction work of the Property has been approved to 武漢明隆倉儲有限公司. The details are listed below:

Certificate Number	Project Name	Detailed Location	Construction Scale (sq m)
Jian Zi Di Wu Gui (Cai) Jian (2015) 002 Hao	Caidian District International Logistics Park Logistics Warehousing and Distribution Center	Majiadu, Yongli Village, Caidian Neighborhood, Caidian District	61,534.20
Total			61,534.20

- 4) We have not been provided with any relevant information about mortgage and encumbrances of the Property. We are therefore unable to comment on any related matters and advise that a legal opinion should be sought regarding the legality, transferability of title and the existence of any current or potential encumbrances attached to the Property.
- 5) Pursuant to the Company Business License No.91420100063045353D, 武漢明隆倉儲有限公司 with the address of Hanyang Street, Caidian Street, Caidian District, Wuhan, has been in business from April 18, 2013 to April 17, 2043 with the business scope of 倉儲設施的建設、經營（不含運輸），提供相關的配套服務及諮詢。（國家有專項規定的經審批後憑有限許可證經營）
- 6) The Owner holds 100% leasehold interests of the Property.
- 7) In assessing the market price of the Property, we have made reference to sales price of similar properties in the vicinity. Comparable properties are located in the close proximity to the Property with similar conditions, size and tenure, etc. Comparables that had been selected range from RMB400,000 to RMB410,000 per mu*. In the course of our valuation, we have considered the relevant adjustment

factors such as the accessibility, size, plot ratio, zoning, environment, public facilities, etc. to determine the unit price of the Property. The adopted unit price of the Property is approximately RMB430,000 per mu.

*1 mu = 666.67 sq m

- 8) The general description and market information of the property are summarized as below:

Location	:	The Property is located at the junction of Majiadu and Yongli Village, Caidian District, Wuhan, Hubei Province, PRC
Transportation	:	The Property is easily accessible by Provincial Highway 104, Hancui Highway and Beijing-Hong Kong-Macau Highway. Provincial Highway 104 is a four-lane dual-way main road connecting Caidian District with Wuhan City Proper. Hancui Highway starts from Miliangshan Interchange (米糧山立交) and ends at Hanyu Highway (漢宜高速) in Caidian District. Hancui Highway connects the Property with Wuhan Third Ring Road and Forth Ring Road of Wuhan City Proper for the Property, thus making the traffic conversion between city ring roads and highways more convenient. Beijing-Hong Kong-Macau Highway connects Beijing with major cities in South China including Guangzhou and Zhuhai. Through Beijing-Hong Kong-Macau Highway, the Property is conveniently connected with Beijing, Guangzhou and other parts of China.
Nature of Surrounding Area	:	The subject area is situated at the core area of Caidian District, Wuhan. It enjoys a convenient transportation network. It is surrounded by a cluster of vacant land and logistics underdeveloped properties

- 9) We have prepared our valuation based on the following assumptions:

- the information of the Property provided by the Company is true and correct;
- the site is free from contamination and the ground conditions are satisfactory;
- the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
- all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
- the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.

- 10) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:

- 武漢明隆倉儲有限公司 has obtained the Construction Land Planning Permit & the Construction Work Planning Permit for the construction work of the Property;
- 武漢明隆倉儲有限公司 has the right to use the land in accordance to the above mentioned state-owned land-use rights certificate. 武漢明隆倉儲有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure;

- 11) The status of the title and grant of major approvals and licenses in accordance with the information provided by the Company are as follows:

State-owned Land-use Rights Grant Contract	Yes
State-owned Land-use Rights Certificate	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	No
Building Ownership Certificate	Not Applicable
Real Estate Ownership Certificate	Not Applicable
Business License	Yes

VALUATION SUMMARY 28—LANGFANG YIZHI HENGJIA TECHNOLOGY CO., LTD.

NO.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019
28	South of Qingyangshu Avenue (青楊樹道) and east of Chunhe Road (春和路), High-tech Industrial Development Zone, Langfang, Hebei Province, PRC	The Property, known as Langfang Yizhi Hengjia Technology Co., Ltd. (廊坊市易智衡嘉科技有限公司), is located south of Qingyangshu and east of Chunhe Road, High-tech Industrial Development Zone, Langfang, Hebei Province. The site area is 66,638.01 sq m. As advised by the Company, the Property is earmarked for construction of warehouses. Pursuant to the Real Estate Ownership Certificate provided, the land-use rights of the Property have been granted for a term of 50 years expiring on March 28, 2069 for industrial uses.	According to the information provided, the Property was still vacant land.	RMB87,000,000 (RENMINBI EIGHTY SEVEN MILLION) 100% interest to be attributable to the Group 3: RMB87,000,000 (RENMINBI EIGHTY SEVEN MILLION)

Notes:

- 1) Pursuant to the Real Estate Ownership Certificate, the land-use rights of the Property located south of Qingyangshu Avenue and east of Chunhe Road, High-tech Industrial Development Zone, Langfang, are vested in 廊坊市易智衡嘉科技有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	Expiry Date
Ji (2019) Lang Fang Shi Bu Dong Chan Quan Di 0025324 Hao	66,638.01	Industrial	March 28, 2069
Total	66,638.01		

- 2) Pursuant to the Construction Land Planning Permit, the planning of the construction land of the Property has been approved to 廊坊市易智衡嘉科技有限公司. The details are listed below:

Certificate Number	Location	Site Area (sq m)
Jian Zi Di 131002201900103 Hao	South of Qingyangshu Avenue and east of Chunhe Road, High-tech Industrial Development Zone, Langfang	66,638.01
Total		66,638.01

- 3) We have not been provided with any relevant information about mortgage and encumbrances of the Property. We are therefore unable to comment on any related matters and advise that a legal opinion should be sought regarding the legality, transferability of title and the existence of any current or potential encumbrances attached to the Property.
- 4) Pursuant to the Company Business License No.91131002MA0D6M386N, 廊坊市易智衡嘉科技有限公司 with the address of Room 280-4, Langfang High-tech Industrial Development Zone Management Committee, Anci District, Langfang, has been in business from 2 February 2019 to 1 February 2049 with the business scope of 資訊科技、電腦技術、智慧科技領域內技術研發、技術轉讓、技術諮詢、技術服務；智慧型機器研發、生產、銷售及租賃。（依法須經批准的項目，經相關部門批准後方可開展經營活動）
- 5) The Owner holds 100% leasehold interests of the Property.
- 6) In assessing the market price of the Property, we have made reference to sales price of similar properties in the vicinity. Comparable properties are located in the close proximity to the Property with similar conditions, size and tenure, etc. Comparables that had been selected range from RMB1,150,000 to RMB1,350,000 per mu*. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, plot ratio, zoning, environment, public facilities, etc. to determine the unit price of the Property. The adopted unit price of the Property is approximately RMB863,000 per mu.

*1 mu = 666.67 sq m

- 7) According to the information provided by the Company, the total construction cost incurred for the Property was approximately RMB490,000 as of the Date of Valuation, which has been taken into account in our valuation.

8) The general description and market information of the property are summarised as below:

Location	:	The Property is located south of Qingyangshu and east of Chunhe Road, High-tech Industrial Development Zone, Langfang, Hebei Province, PRC.
Transportation	:	The Property is near Chunhe Road. The S272 Expressway (Langfang—Cangzhou) and G3 Expressway (Beijing—Taipei) are situated near the Property to the north and west, providing convenient traffic access to downtown Langfang and other neighbouring cities.
Nature of Surrounding Area	:	The subject area is situated within Anci District in southern Langfang. It enjoys a convenient transportation network. It is surrounded by a cluster of vacant land and industrial properties.

9) We have prepared our valuation based on the following assumptions:

- the information of the Property provided by the Company is true and correct;
- the site is free from contamination and the ground conditions are satisfactory;
- the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
- all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
- the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.

10) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:

- 廊坊市易智衡嘉科技有限公司 has the right to use the land in accordance to the above mentioned real estate ownership certificate. 廊坊市易智衡嘉科技有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure.

11) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

State-owned Land-use Rights Grant Contract	Yes
State-owned Land-use Rights Certificate	Yes
Construction Land Planning Permit	Yes
Construction Work Planning Permit	No
Construction Work Commencement Permit	No
Building Ownership Certificate	Not Applicable
Real Estate Ownership Certificate	Yes (for land only)
Business License	Yes

VALUATION SUMMARY 29—SHANGHAI YISI WAREHOUSE SERVICE Co., LTD.

NO.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019
29	South of Longhu Avenue (龍湖大道) and west of Tongyi Road (通義路), Emerging Industry Demonstration Zone, Langfang, Hebei Province, PRC	The Property, known as Shanghai Yisi Warehouse Service Co., Ltd. (上海易司倉儲服務有限公司), is located South of Longhu Avenue and west of Tongyi Road, Emerging Industry Demonstration Zone, Langfang, Hebei Province. The site area is 53,334.00 sq m. As advised by the Company, the Property is earmarked for construction of warehouses. Pursuant to the Real Estate Ownership Certificate provided, the land-use rights of the Property have been granted for a term of 50 years expiring on December 23, 2063 for industrial uses.	According to the information provided, the Property was still vacant land.	RMB68,000,000 (RENMINBI SIXTY EIGHT MILLION) 100% interest to be attributable to the Group 3: RMB68,000,000 (RENMINBI SIXTY EIGHT MILLION)

Notes:

- 1) Pursuant to the Real Estate Ownership Certificate, the land-use rights of the Property located South of Longhu Avenue and west of Tongyi Road, Emerging Industry Demonstration Zone, Langfang, are vested in 上海易司倉儲服務有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	Expiry Date
Ji (2019) Lang Fang Shi Bu Dong Chan Quan Di 0029689 Hao	53,334.00	Industrial	December 23, 2063
Total	53,334.00		

- 2) We have not been provided with any relevant information about mortgage and encumbrances of the Property. We are therefore unable to comment on any related matters and advise that a legal opinion should be sought regarding the legality, transferability of title and the existence of any current or potential encumbrances attached to the Property.
- 3) Pursuant to the Company Business License No.91310117MA1J2AFT7T, 上海易司倉儲服務有限公司 with the address of No. 609 Tahui Road, Shihudang Town, Songjiang District, Shanghai, has been in business from July 20, 2017 to July 19, 2067 with the business scope of 倉儲服務 (除危險品、食品), 自有房屋租賃, 物業管理, 商務信息諮詢。(依法須經批准的項目, 經相關部門批准後方可開展經營活動)
- 4) The Owner holds 100% leasehold interests of the Property.
- 5) In assessing the market price of the Property, we have made reference to sales price of similar properties in the vicinity. Comparable properties are located in the close proximity to the Property with similar conditions, size and tenure, etc. Comparables that had been selected range from RMB1,150,000 to RMB1,350,000 per mu*. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, plot ratio, zoning, environment, public facilities, etc. to determine the unit price of the Property. The adopted unit price of the Property is approximately RMB848,000 per mu.

*1 mu = 666.67 sq m

- 6) The general description and market information of the property are summarised as below:

Location	:	The Property is located south of Longhu Avenue and west of Tongyi Road, Emerging Industry Demonstration Zone, Langfang, Hebei Province, PRC.
Transportation	:	The Property is near Tongyi Road. The S272 Expressway (Langfang—Cangzhou) and G3 Expressway (Beijing—Taipei) are situated near the Property to the north and west, providing convenient traffic access to downtown Langfang and other neighbouring cities.
Nature of Surrounding Area	:	The subject area is situated within Anci District in southern Langfang. It enjoys a convenient transportation network. It is surrounded by a cluster of vacant land and industrial properties.

- 7) We have prepared our valuation based on the following assumptions:

- the information of the Property provided by the Company is true and correct;
- the site is free from contamination and the ground conditions are satisfactory;

- the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
 - all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
 - the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.
- 8) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:
- 上海易司倉儲服務有限公司 has the right to use the land in accordance to the above mentioned real estate ownership certificate. 上海易司倉儲服務有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure.
- 9) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:
- | | |
|--|---------------------|
| State-owned Land-use Rights Grant Contract | No |
| State-owned Land-use Rights Certificate | Not Applicable |
| Construction Land Planning Permit | No |
| Construction Work Planning Permit | No |
| Construction Work Commencement Permit | No |
| Building Ownership Certificate | Not Applicable |
| Real Estate Ownership Certificate | Yes (for land only) |
| Business License | Yes |

VALUATION SUMMARY 30—PINGHU YIXING WAREHOUSE SERVICES CO., LTD.

NO.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019
30	East of Binggang Road (濱港路) and north of Meihe Road (梅河路), Dushangang Zone, Pinghu, Zhejiang Province, PRC	The Property, known as Pinghu Yixing Warehouse Services Co., Ltd. (平湖易興倉儲服務有限公司), is located east of Binggang Road and north of Meihe Road, Dushangang Zone, Pinghu, Zhejiang Province. The site area is 100,000.00 sq m. As advised by the Company, the Property is earmarked for construction of warehouses. Pursuant to the Real Estate Ownership Certificate provided, the land-use rights of the Property have been granted for a term of 50 years expiring on May 16, 2069 for warehouse uses.	At the date of inspection, the Property was still vacant land.	RMB111,000,000 (RENMINBI ONE HUNDRED ELEVEN MILLION) 100% interest to be attributable to the Group 3: RMB111,000,000 (RENMINBI ONE HUNDRED ELEVEN MILLION)

Notes:

- 1) Pursuant to the Real Estate Ownership Certificate, the land-use rights of the Property located east of Binggang Road and north of Meihe Road, Dushangang Zone, Pinghu, are vested in 平湖易興倉儲服務有限公司. The details are listed below:

Certificate Number**Site Area
(sq m)****Land Use****Expiry Date**

Zhe (2019) Ping Hu Shi Bu Dong Chan Quan Di 0022372 Hao	100,000.00	Warehouse	16 May 2069
<i>Total</i>	<i>100,000.00</i>		

- 2) We have not been provided with any relevant information about mortgage and encumbrances of the Property. We are therefore unable to comment on any related matters and advise that a legal opinion should be sought regarding the legality, transferability of title and the existence of any current or potential encumbrances attached to the Property.
- 3) Pursuant to the Company Business License No.91330482MA2BCNTW59, 平湖易興倉儲服務有限公司 with the address of Room 391, Block 3, Pinghu Dushangang Economic Development Zone Management Committee, North of Zhaquan Avenue, Dushangang Town, Pinghu, Jiaxing, Zhejiang has been in business from 2 January 2019 to 1 January 2069 with the business scope of 從事倉儲服務 (除危險品、不含運輸)、工業及倉儲設施的建設及經營、物業管理。(依法須經批准的項目, 經相關部門批准後方可開展經營活動)
- 4) The Owner holds 100% leasehold interests of the Property.
- 5) In assessing the market price of the Property, we have made reference to sales price of similar properties in the vicinity. Comparable properties are located in the close proximity to the Property with similar conditions, size and tenure, etc. Comparables that had been selected range from RMB700,000 to RMB500,000 per mu*. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, plot ratio, zoning, environment, public facilities, etc. to determine the unit price of the Property. The adopted unit price of the Property is approximately RMB738,000 per mu.

*1 mu = 666.67 sq m

- 6) The general description and market information of the property are summarised as below:

Location	:	The Property is located east of Binggang Road and north of Meihe Road, Dushangang Zone, Pinghu, Zhejiang Province, PRC.
Transportation	:	The Property is near Chunhe Road. The S101 Expressway (Pinghu—Hangzhou) and G15 Expressway (Shenyang—Haikou) are situated near the Property to the north, providing convenient traffic access to downtown Jiaxing and other neighbouring cities.
Nature of Surrounding Area	:	The subject area is situated within Dushangang in eastern Pinghu. It enjoys a convenient transportation network. It is surrounded by a cluster of vacant land and industrial properties.

- 7) We have prepared our valuation based on the following assumptions:

- the information of the Property provided by the Company is true and correct;
- the site is free from contamination and the ground conditions are satisfactory;

- the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
 - all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
 - the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.
- 8) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:
- 平湖易興倉儲服務有限公司 has the right to use the land in accordance to the above mentioned real estate ownership certificate. 平湖易興倉儲服務有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure.
- 9) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:
- | | |
|--|---------------------|
| State-owned Land-use Rights Grant Contract | No |
| State-owned Land-use Rights Certificate | Yes |
| Construction Land Planning Permit | No |
| Construction Work Planning Permit | No |
| Construction Work Commencement Permit | No |
| Building Ownership Certificate | Not Applicable |
| Real Estate Ownership Certificate | Yes (for land only) |
| Business License | Yes |

VALUATION SUMMARY 31 – HAINING HAIYI INTELLIGENT EQUIPMENT CO., LTD.

NO.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT 30 SEPTEMBER 2019
31	East of Haining Avenue (海寧大道) and north of Anzheng Shishang(安正時尚), Haining Economic Development Zone, Haining, Zhejiang Province, PRC	The Property, known as Haining Haiyi Intelligent Equipment Co., Ltd. (海寧海易智能裝備有限公司), is located east of Haining Avenue and north of Anzheng Shishang, Haining Economic Development Zone, Haining, Zhejiang Province. The site area is 85,371.00 sq m.	At the date of inspection, the Property was still vacant land.	RMB33,000,000 (RENMINBI THIRTY THREE MILLION) 100% interest to be attributable to the Group 3: RMB33,000,000 (RENMINBI THIRTY THREE MILLION)
		As advised by the Company, the Property is earmarked for construction of industrials.		
		Pursuant to the Real Estate Ownership Certificate provided, the land-use rights of the Property have been granted for a term of 50 years expiring on 9 September 2069 for industrial uses.		

Notes:

- 1) Pursuant to the Real Estate Ownership Certificate, the land-use rights of the Property located east of Haining Avenue and north of Anzheng Shishang, Haining Economic Development Zone, Haining, are vested in 海寧海易智能裝備有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	Expiry Date
Zhe (2019) Hai Ning Shi Bu Dong Chan Quan Di 0059046 Hao . .	85,371.00	Industrial	9 September 2069
Total	85,371.00		

- 2) We have not been provided with any relevant information about mortgage and encumbrances of the Property. We are therefore unable to comment on any related matters and advise that a legal opinion should be sought regarding the legality, transferability of title and the existence of any current or potential encumbrances attached to the Property.
- 3) Pursuant to the Company Business License No. 91330481MA2CUU2XXQ, 海寧海易智能裝備有限公司 with the address of Room 311, No.118 Longxing Road, Haining Economic Development Zone, Haining, Zhejiang has been in business from 10 May 2019 to 9 May 2069 with the business scope of 工業及倉儲自動化設備的研發、設計、生產、銷售、安裝、維修、售後服務、技術服務及技術轉讓；工業機器人、汽車零部件及配件的製造；機械零部件加工；倉儲服務（不含危險化學品和易制毒化學品倉儲；不含物流配送）；倉儲設施的租賃、管理；自有房屋租賃；物業管理；（依法須經批准的項目，經相關部門批准後方可開展經營活動）
- 4) The Owner holds 100% leasehold interests of the Property.
- 5) In assessing the market price of the Property, we have made reference to sales price of similar properties in the vicinity. Comparable properties are located in the close proximity to the Property with similar conditions, size and tenure, etc. Comparables that had been selected range from RMB220,000 to RMB250,000 per mu*. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, plot ratio, zoning, environment, public facilities, etc. to determine the unit price of the Property. The adopted unit price of the Property is approximately RMB255,000 per mu.

*1 mu = 666.67 sq m

- 6) The general description and market information of the property are summarised as below:

Location	:	The Property is located east of Haining Avenue and north of Anzheng Shishang, Haining Economic Development Zone, Haining, Zhejiang Province, PRC.
Transportation	:	The Property is near Haining Avenue. Haining Avenue and G60 Expressway (Shanghai—Kunming) are situated near the Property to the east, providing convenient traffic access to downtown Haining and other neighbouring cities.
Nature of Surrounding Area	:	The subject area is situated within Haining Economic Development Zone in northern Haining. It enjoys a convenient transportation network. It is surrounded by a cluster of vacant land and industrial properties.

- 7) We have prepared our valuation based on the following assumptions:
- the information of the Property provided by the Company is true and correct;
 - the site is free from contamination and the ground conditions are satisfactory;
 - the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
 - all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
 - the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.
- 8) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:
- | | |
|--|---------------------|
| State-owned Land-use Rights Grant Contract | No |
| State-owned Land-use Rights Certificate | Yes |
| Construction Land Planning Permit | No |
| Construction Work Planning Permit | No |
| Construction Work Commencement Permit | No |
| Building Ownership Certificate | Not Applicable |
| Real Estate Ownership Certificate | Yes (for land only) |
| Business License | Yes |

VALUATION SUMMARY 32—WUHAN YIZHONG WAREHOUSE SERVICES CO., LTD.

NO.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019
32	West of the intersection of Huayuanwan Second Street (花園灣二街) and Zhulin Fourth Road (竹林四路), Daji Street (大集街), Caidian District, Wuhan Hubei Province, PRC	The Property, known as Wuhan Yizhong Warehouse Services Co., Ltd. (武漢易仲倉儲服務有限公司), is located west of the intersection of Huayuanwan Second Street and Zhulin Fourth Road, Daji Street, Caidian District, Wuhan. The site area is approximately 61,911.00 sq m. As advised by the Company, the Property is earmarked for construction of warehouses. According to the record of Wuhan Natural Resources and Planning Bureau, the land-use rights of the Property have been granted for a term of 50 years for industrial uses.	At the date of inspection, the Property was still vacant land.	RMB22,000,000 (RENMINBI TWENTY TWO MILLION) 100% interest to be attributable to the Group 3: RMB22,000,000 (RENMINBI TWENTY TWO MILLION)

Notes:

- We have not been provided with any title documents except the Company Business License of the Property. In our valuation, we have assumed 武漢易仲倉儲服務有限公司 has obtained the State-owned Land-use Rights for warehouse uses, and any land premium or other relevant fees have been fully paid and settled.
- We have not been provided with any relevant information about mortgage and encumbrances of the Property. We are therefore unable to comment on any related matters and advise that a legal opinion should be sought regarding the legality, transferability of title and the existence of any current or potential encumbrances attached to the Property.
- Pursuant to the Company Business License No. 91420114MA4K3Q4J00, 武漢易仲倉儲服務有限公司 with the address of Plant No.9, Industrial Project of Zhengdong Hetai Real Estate Management Co., Ltd., Longwang Village, Tushan Village, Zhashan Street, Caidian District, Wuhan, has been in business from 22 April 2019 to 21 April 2069 with the business scope of 倉儲服務 (除危險品、不含運輸); 工業及倉儲設施的建設及租賃; 物業管理; 商務信息諮詢。(上述經營範圍不涉及外商投資准入特別管理措施範圍)(依法須經審批的項目, 經相關部門審批後方可開展經營活動)
- The Owner holds 100% leasehold interests of the Property.
- In assessing the market price of the Property, we have made reference to sales price of similar properties in the vicinity. Comparable properties are located in the close proximity to the Property with similar conditions, size and tenure, etc. Comparables that had been selected range from RMB230,000 to RMB231,000 per mu*. In the course of our valuation, we have considered the relevant adjustment factors such as the accessibility, size, plot ratio, zoning, environment, public facilities, etc. to determine the unit price of the Property. The adopted unit price of the Property is approximately RMB233,000 per mu.

*1 mu = 666.67 sq m

- According to the information provided by the Company, the total construction cost incurred for the Property was approximately RMB364,000 as of the Date of Valuation, which has been taken into account in our valuation.
- The general description and market information of the property are summarised as below:

Location	:	West of the intersection of Huayuanwan Second and Zhulin Fourth Road, Daji Street, Caidian District, Wuhan Hubei Province, PRC.
Transportation	:	The Property is near Huayuanwan Second Road and Zhulin Road. The G50 Expressway (Shanghai—Chongqing) and Wuhan Ring Expressway (武漢繞城高速) are situated near the Property to the south and east respectively, providing convenient traffic access to downtown Wuhan and other neighbouring cities.
Nature of Surrounding Area	:	The subject area is situated within Caidian District in southwest of Wuhan. It enjoys a convenient transportation network. It is surrounded by a cluster of vacant land and industrial properties.

- We have prepared our valuation based on the following assumptions:

- the information of the Property provided by the Company is true and correct;

- the site is free from contamination and the ground conditions are satisfactory;
 - the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
 - all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
 - the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.
- 9) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:
- 武漢易仲倉儲服務有限公司 has the right to use the land in accordance to the above mentioned real estate ownership certificate. 武漢易仲倉儲服務有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure.
- 10) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:
- | | |
|--|----------------|
| State-owned Land-use Rights Grant Contract | No |
| State-owned Land-use Rights Certificate | No |
| Construction Land Planning Permit | No |
| Construction Work Planning Permit | No |
| Construction Work Commencement Permit | No |
| Building Ownership Certificate | Not Applicable |
| Real Estate Ownership Certificate | No |
| Business License | Yes |

VALUATION SUMMARY 33—JIEYANG YIAN WAREHOUSE SERVICES CO., LTD.

NO.	PROPERTY	DESCRIPTION AND TENURE	PARTICULARS OF OCCUPANCY	MARKET VALUE IN EXISTING STATE AS AT SEPTEMBER 30, 2019
33	Southeast side of Baoshan Road (寶山路) and Yunbao Avenue (雲寶大道), Jiedong Development Zone New Industrial Park (揭東開發區新型工業園), Jieyang, Guangdong Province, PRC	The Property, known as Jieyang Yian Warehouse Services Co., Ltd. (揭陽易安倉儲服務有限公司), is located Southeast side of Baoshan Road and Yunbao Avenue, Jiedong Development Zone New Industrial Park, Jieyang, with a total site area of 88,999.30 sq m. As advised by the Company, the Property is earmarked for construction of warehouses. Pursuant to the Real Estate Ownership Certificate provided, the land-use rights of the Property have been granted for a term of 50 years expiring on June 26, 2069 for industrial uses.	According to the information provided, the Property was still vacant land.	RMB69,000,000 (RENMINBI SIXTY NINE MILLION) 100% interest to be attributable to the Group 3: RMB69,000,000 (RENMINBI SIXTY NINE MILLION)

Notes:

- 1) Pursuant to the Real Estate Ownership Certificate, the land-use rights of the Property located Southeast side of Baoshan Road and Yunbao Avenue, Jiedong Development Zone New Industrial Park, Jieyang, are vested in 揭陽易安倉儲服務有限公司. The details are listed below:

Certificate Number	Site Area (sq m)	Land Use	Expiry Date
Yue (2019) Jie Dong Qu Bu Dong Chan Quan Di 0004029 Hao	88,999.30	Warehouse	26 June 2069
<i>Total</i>	<i>88,999.30</i>		

- 2) Pursuant to the Construction Land Planning Permit, the planning of the construction land of the Property has been approved to 揭陽易安倉儲服務有限公司. The details are listed below:

Certificate Number	Location	Site Area (mu)
Di Zi Di 445203201905010 Hao	Southeast side of Baoshan Road and Yunbao Avenue, Jiedong Development Zone New Industrial Park, Jieyang	133.499
<i>Total</i>		<i>133.499</i>

- 3) Pursuant to the Construction Work Planning Permit, the planning of the construction work of the Property has been approved to 揭陽易安倉儲服務有限公司. The details are listed below:

Certificate Number	Project Name	Detailed Location	Construction Scale (sq m)
Jian Zi Di 445203201908020 Hao	ESR e-Shang Group Yuedong Logistics Headquarter Base	Southeast side of Baoshan Road and Yunbao Avenue, Jiedong Development Zone New Industrial Park, Jieyang	69,640.14
<i>Total</i>			<i>69,640.14</i>

- 4) We have not been provided with any relevant information about mortgage and encumbrances of the Property. We are therefore unable to comment on any related matters and advise that a legal opinion should be sought regarding the legality, transferability of title and the existence of any current or potential encumbrances attached to the Property.
- 5) Pursuant to the Company Business License No. 91445200MA52E3J70X, 揭陽易安倉儲服務有限公司 with the address of Room 301, Level 3, No.11 of North Area in Zhongxing Zilincheng, East of Jiedong Renmin Square, Jieyang, has been in business from 24 October 2018 to 24 October 2068 with the business scope of 倉儲服務 (不含化學危險品、不含道路運輸); 倉儲設施的建設、經營、管理、租賃及配套服務; 物業管理; 物流信息技術諮詢服務。(依法須經批准的項目, 經相關部門批准後方可開展經營活動)
- 6) The Owner holds 100% leasehold interests of the Property.
- 7) In assessing the market price of the Property, we have made reference to sales price of similar properties in the vicinity. Comparable properties are located in the close proximity to the Property with similar conditions, size and tenure, etc. Comparables that had been selected range from RMB440,000 to RMB520,000 per mu*. In the course of our valuation, we have considered the relevant adjustment

factors such as the accessibility, size, plot ratio, zoning, environment, public facilities, etc. to determine the unit price of the Property. The adopted unit price of the Property is approximately RMB478,000 per mu.

*1 mu = 666.67 sq m

- 8) The general description and market information of the property are summarised as below:

Location	:	The Property is located Southeast side of Baoshan Road and Yunbao Avenue, Jiedong Development Zone New Industrial Park, Jieyang, Guangdong Province, PRC.
Transportation	:	The Property is near Yunbao Road. The G78 Expressway (Shantou - Kunming) (汕昆高速) are situated near the Property to the south, providing convenient traffic access to downtown Jieyang and other neighbouring cities.
Nature of Surrounding Area	:	The subject area is situated within Jiedong District in north-eastern Jieyang. It enjoys a convenient transportation network. It is surrounded by a cluster of vacant land and industrial properties.

- 9) We have prepared our valuation based on the following assumptions:

- the information of the Property provided by the Company is true and correct;
- the site is free from contamination and the ground conditions are satisfactory;
- the proper ownership title of the Property has been obtained, and all payable land premiums or land use rights fees have been fully settled;
- all required approvals and certificates necessary for the development and occupation and use of the Property have been duly obtained and are in full force and effect; and
- the Property can be freely transferred, mortgaged, sublet or otherwise disposed of in the market.

- 10) We have been provided with a copy of PRC legal opinion on the Property prepared by Global Law Office (環球律師事務所), which contains, inter alia, the following information:

- 揭陽易安倉儲服務有限公司 has obtained the Construction Land Planning Permit and Construction Work Planning Permit for the construction work of the Property;
- 揭陽易安倉儲服務有限公司 has the right to use the land in accordance to the above mentioned real estate ownership certificate. 揭陽易安倉儲服務有限公司 has the right to use, transfer, lease, mortgage or other legal means to deal with the premise on the condition of adhering to the land-use and the land tenure.

- 11) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company are as follows:

State-owned Land-use Rights Grant Contract	Yes
State-owned Land-use Rights Certificate	Not Applicable
Construction Land Planning Permit	Yes
Construction Work Planning Permit	Yes
Construction Work Commencement Permit	No
Building Ownership Certificate	Not Applicable
Real Estate Ownership Certificate	Yes (for land only)
Business License	Yes

The following is the text of a letter, summary of valuations and valuation certificate prepared for the purpose of incorporation in this Prospectus received from Cushman & Wakefield K.K., an independent property valuer, in connection with its opinion of value of certain property interests of the Group as at September 30, 2019.



Sanno Park Tower 13F
2-11-1 Nagatacho, Chiyoda-ku
Tokyo, JAPAN

October 22, 2019

ESR Cayman Limited

Dear Sirs,

Instructions, Purpose & Valuation Date

In accordance with the instructions from ESR Cayman Limited (the “Company”) for us to value the properties in which the Company or its subsidiaries (collectively the “Group”) has interests in Japan (as more particularly described in the attached valuation report), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such properties as at September 30, 2019.

Valuation Basis

Our valuation of each of the properties represents its market value which in accordance with the Real Estate Appraisal Standards (Japan) issued by Japan Ministry of Land, Infrastructure, Transport and Tourism and the International Valuation Standards (“IVS”) is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We confirm that the valuations are undertaken in accordance with the requirements set out in Chapter 5 of the Main Board Listing Rules and Practice Note 12 Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited.

Our valuation of each of the properties are on an entirety interest basis.

Valuation Assumptions

Our valuation of each of the properties exclude an estimated price inflated or deflated by special terms or circumstances such as a typical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation of the properties, we have relied on the information and advice given by the Group, regarding the titles to the properties and the interests of the Company in the properties in Japan. Unless otherwise stated in the respective legal opinion, in valuing the properties,

we have assumed that the Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted and that any premium payable has already been fully paid.

In respect of the properties situated in Japan, the status of titles and grant of major certificates, approvals and licenses, in accordance with the information provided by the Company are set out in the notes of the respective valuation report. We have assumed that all consents, approvals and licenses from relevant government authorities for the developments have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the properties are in compliance with the local planning regulations and have been approved by the relevant authorities.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

Method of Valuation

The Property 1 and 2 are Tenant-Occupied Building and its Site. However, the efficiency of land use of the current buildings is significantly lower than the permitted floor area ratio, and the buildings do not conform to the site and the neighborhood. Therefore, we have concluded that the highest and best use is to demolish the buildings after the expiration of the land lease agreement and develop a distribution facilities. Based on this conclusion, we first estimate the vacant land value after the building demolition by applying the Sales Comparison Approach and the DCF Method (assuming development of leased property). Then, considering the time, income and expense required for the building demolition, we conclude the appraised value by using the DCF Method.

The Property 3 and 4 are Owner-Occupied Building and its Site. However, the existing buildings are not in use and are undergoing demolition. Therefore, we have concluded that the highest and best use is to demolish the building and develop logistics facilities. Based on this conclusion, we first estimate the vacant land value after the building demolition by applying the Sales Comparison Approach and the DCF Method (assuming development of leased property). Then, considering the expense required for the building demolition (including the carrying-out of contaminated soil), we conclude the appraised value by using the DCF Method.

Source of Information

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenures, identification of land and buildings, completion date of buildings, particulars of occupancy, tenancy details, site and floor areas, site and floor plans, number of parking spaces, interests attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on the copies of documents or other information provided to us by the Company and are therefore only approximations. No on-site measurement has been carried out. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

Title Investigation

We have been provided with extracts of documents relating to the properties in Japan. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the properties and we have therefore relied on the advice given by the Company or the Company's legal adviser regarding the interests of the Company in the properties in Japan.

Site Inspection

We (Assistant Valuer, Mr. Tadao Kawashima, a licensed real estate appraiser with 11 years of experience, Senior Valuer, Ms. Noriko Hattori, a licensed real estate appraiser with 13 years of experience and Associate Director, Ms. Naomi Rice, a licensed real estate appraiser with 20 years of experience), inspected the exterior and, wherever possible, the interior of the property on October 8, 2019 for the Property 1 and 2, and on October 7, 2019 for the Property 3 and 4 respectively. No structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services.

Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

Currency

Unless otherwise stated, all monetary sums stated in our valuations are in Japanese Yen ("JPY"), the official currency of Japan.

Other Disclosure

We hereby confirm that Cushman & Wakefield K.K. and the valuers conducting the valuations have no pecuniary or other interests that could conflict with the proper valuations of the properties or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. We confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

We enclose herewith a summary of valuations and valuation report for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield K.K.

Katsuaki Shinohara
LREA(Japan), MRICS
Director
Head of Valuation & Advisory, Japan

Naomi Rice
LREA(Japan), MRICS, MAI
Associate Director
Valuation & Advisory, Japan

Note: Mr. Katsuaki Shinohara is a Registered Professional Surveyor who has over 15 years' experience in the valuation of properties in Japan. Mr. Shinohara has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuations competently.

Ms. Naomi Rice is a Registered Professional Surveyor who has over 20 years' experience in the valuation of properties in Japan. Ms. Rice has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuations competently.

SUMMARY OF VALUATIONS

Property held by the Group for investment in Japan

	Property	Market value in existing state as at September 30, 2019 (JPY)	Interest attributable to the Group (%)	Market value in existing state attributable to the Group as at September 30, 2019 (JPY)
1.	Higashiogishima DC Site A 21 Higashiogishima, Kawasaki-ku, Kawasaki-shi, Kanagawa-ken, Japan 東扇島DC Site A 神奈川県川崎市川崎区東扇島 21	25,800,000,000	70	18,060,000,000
2.	Higashiogishima DC Site B 23-1 and other tracts, Higashiogishima, Kawasaki-ku, Kawasaki-shi, Kanagawa-ken, Japan 東扇島DC Site B 神奈川県川崎市川崎区東扇島23-1外	19,700,000,000	70	13,790,000,000
3.	Yokohama DC Site 2-A 8-5, Sachiura 1-chome, Kanazawa-ku, Yokohama-shi, Kanagawa-ken, Japan 横浜DC Site2-A 神奈川県横浜市金沢区幸浦一丁目8番5	17,100,000,000	100	17,100,000,000
4.	Yokohama DC Site 2-B 8-4, Sachiura 1-chome, Kanazawa-ku, Yokohama-shi, Kanagawa-ken, Japan 横浜DC Site2-B 神奈川県横浜市金沢区幸浦一丁目8番4	17,900,000,000	100	17,900,000,000
Grand total:		80,500,000,000		66,850,000,000

VALUATION REPORT

Property held by the Group for investment in Japan

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at September 30, 2019												
1.	Higashiogishima DC Site A	The property is a 39 years old office erected upon a site area of 77,723.49 sq m.	As at the valuation date, the property is leased by Mitsubishi UFJ Trust and Banking Corporation (trustee), which owns the land and building, to an independent third party under a fixed-term land leasehold agreement and a fixed-term building lease agreement.	JPY25,800,000,000 (70% interest attributable to the Group: JPY18,060,000,000)												
	21 Higashiogishima, Kawasaki-ku, Kawasaki-shi, Kanagawa-ken, 210-0869, Japan	The property comprises 4 buildings with a total gross floor area of 592.65 sq m. The property was completed in 1980.														
	東扇島DC Site A 〒210-0869 神奈川県川崎市 川崎區東扇島21	Details of the property are shown as follows: -														
		<table><thead><tr><th>Use</th><th>GFA (sq m)</th></tr></thead><tbody><tr><td>Office</td><td>436.09</td></tr><tr><td>Guard house</td><td>10.48</td></tr><tr><td>Propane store</td><td>10.62</td></tr><tr><td>Workshop</td><td>135.46</td></tr><tr><td>Total</td><td>592.65</td></tr></tbody></table>	Use	GFA (sq m)	Office	436.09	Guard house	10.48	Propane store	10.62	Workshop	135.46	Total	592.65		
Use	GFA (sq m)															
Office	436.09															
Guard house	10.48															
Propane store	10.62															
Workshop	135.46															
Total	592.65															
		The property is located in a distribution district with a high density of large-scale logistics properties in the metropolitan bay-side area.														
		The Group has trust beneficiary right of the property. The land and buildings are owned by Mitsubishi UFJ Trust and Banking Corporation (trustee).														

Notes :-

- (1) According to the Real Estate Title Certificate Lot No. 21 Higashiogishima issued by Legal Affairs Bureau dated September 25, 2019, the ownership right of the property with a total site area of 77,723.49 sq m have been vested in Mitsubishi UFJ Trust and Banking Corporation as trustee. RW Higashiogishima TMK has trust beneficiary right of the property. The Land leasehold right set forth in Article 24 of the Land Lease and House Lease Act is also registered.
- (2) According to the Real Estate Title Certificate Building No. 21 and 21-2 Higashiogishima issued by Legal Affairs Bureau dated September 25, 2019, the ownership right of the property with a total GFA of 592.65 sq m have been vested in Mitsubishi UFJ Trust and Banking Corporation as trustee. RW Higashiogishima TMK has trust beneficiary right of the property.
- (3) The property is leased to an independent third party under a fixed-term land leasehold agreement and a fixed-term building lease agreement by June 25, 2022. The contract monthly rent is JPY56,400,299.
- (4) The property is located in a Commercial Area with designated floor area ratio ("FAR") of 400% and building cover ratio of 80%.
- (5) Our key assumptions of the valuation are:
 - (i) Assumed the redevelopment after the current lease term;
 - (ii) The vacant land value after the lease term was estimated by applying the Sales Comparison Approach and the DCF Method assuming development of leased property. The below is assumption summary of the DCF Method.
 - Assumed building is an eight-storey logistics facility with gross floor area for FAR of 310,670 sq m and net rentable area of 302,622 sq m which is based on the development plan provided by the Group.
 - Rental value for warehouse and office are JPY3,800 and JPY7,500 per month per tsubo¹ consequently.

¹ tsubo is approximately 3.30579 square meters

- The discount rate of 3.9% is applied.
 - The terminal capitalization rate of 4.2% is applied;
- (iii) We estimated the value of the subject property by using the DCF Method based on the below assumptions.
 - For the current lease term, income and expense are projected based on the current contract.
 - In the period of 33 months from the date of valuation, the current building will be demolished, and the subject property will be a vacant land.
 - The discount rate of 3.9% is applied.
- (6) The Beneficially Rights on the Real Estate Title Certificate of the property are legal, valid and enforceable.
- (7) The trust beneficiary right of the property was acquired by the Group on June 30, 2016. The details of the acquisition was not disclosed for this valuation.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at September 30, 2019																
2.	Higashiogishima DC Site B	The property is a 36 and 29 years old warehouse erected upon various parcels of adjoining land with a total site area of 66,115.69 sq m.	As at the valuation date, the property is leased by Mitsubishi UFJ Trust and Banking Corporation (trustee), which owns the land and building, to an independent third party under a fixed-term land leasehold agreement and a fixed-term building lease agreement.	JPY19,700,000,000																
	23-1, 23-2, 23-5 and 23-8, Higashiogishima, Kawasaki-ku, Kawasaki-shi, Kanagawa-ken, 210-0869, Japan	The property comprises 6 buildings with a total gross floor area of 41,558.85 sq m. The property was completed in 1983 and 1990		(70% interest attributable to the Group: JPY13,790,000,000)																
	東扇島DC Site B 〒210-0869 神奈川県川崎市 川崎區東扇島23-1, 23-2, 23-5, 23-8	Details of the property are shown as follows: - <table><thead><tr><th>Use</th><th>GFA (sq m)</th></tr></thead><tbody><tr><td>Warehouse and guardhouse</td><td>89.39</td></tr><tr><td>Workshop</td><td>696.72</td></tr><tr><td>Machine room</td><td>16.41</td></tr><tr><td>Bathroom</td><td>6.62</td></tr><tr><td>Warehouse</td><td>29,924.51</td></tr><tr><td>Warehouse and office</td><td>10,825.20</td></tr><tr><td>Total</td><td>41,558.85</td></tr></tbody></table>	Use	GFA (sq m)	Warehouse and guardhouse	89.39	Workshop	696.72	Machine room	16.41	Bathroom	6.62	Warehouse	29,924.51	Warehouse and office	10,825.20	Total	41,558.85		
Use	GFA (sq m)																			
Warehouse and guardhouse	89.39																			
Workshop	696.72																			
Machine room	16.41																			
Bathroom	6.62																			
Warehouse	29,924.51																			
Warehouse and office	10,825.20																			
Total	41,558.85																			
		The property is located in a distribution district with a high density of large-scale logistics properties in the metropolitan bayside area.																		
		The Group has trust beneficiary right of the property. The land and buildings are owned by Mitsubishi UFJ Trust and Banking Corporation (trustee).																		

Notes :-

- (1) According to the Real Estate Title Certificate Lot No. 23-1, 23-2, 23-5 and 23-8, Higashiogishima issued by Legal Affairs Bureau dated September 9, 2019, the ownership right of the property with a total site area of 66,115.69 sq m have been vested in Mitsubishi UFJ Trust and Banking Corporation as trustee. RW Higashiogishima TMK has trust beneficiary right of the property. The Land leasehold right set forth in Article 24 of the Land Lease and House Lease Act is also registered.
- (2) According to the Real Estate Title Certificate Building No. 23-1, 23-1-2, 23-1-3 and 23-2, Higashiogishima issued by Legal Affairs Bureau dated September 25, 2019, the ownership right of the property with a total GFA of 41,558.85 sq m have been vested in Mitsubishi UFJ Trust and Banking Corporation as trustee. RW Higashiogishima TMK has trust beneficiary right of the property.
- (3) The property is leased to an independent third party under a fixed-term land leasehold agreement and a fixed-term building lease agreement by June 25, 2022. The contract monthly rent is JPY67,360,362.
- (4) The property is located in a Commercial Area with designated FAR of 400% and building cover ratio of 80%.
- (5) Our key assumptions of the valuation are:
 - (i) Assumed the redevelopment after the current lease term;
 - (ii) The vacant land value after the lease term was estimated by applying the Sales Comparison Approach and the DCF Method assuming development of leased property. The below is assumption summary of the DCF Method.
 - Assumed building is an eight-storey logistics facility with gross floor area for FAR of 264,453 sq m and net rentable area of 258,993 sq m which is based on the development plan provided by the Group.
 - Rental value for warehouse and office are JPY3,800 and JPY7,500 per month per tsubo consequently.
 - The discount rate of 3.9% is applied.
 - The terminal capitalization rate of 4.2% is applied;

- (iii) We estimated the value of the subject property by using the DCF Method based on the below assumptions.
 - For the current lease term, income and expense are projected based on the current contract.
 - In the period of 33 months from the date of valuation, the current building will be demolished, and the subject property will be a vacant land.
 - The discount rate of 4.5% is applied.
- (6) The Beneficially Rights on the Real Estate Title Certificate of the property are legal, valid and enforceable.
- (7) The trust beneficiary right of the property was acquired by the Group on June 30, 2016. The details of the acquisition was not disclosed for this valuation.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at September 30, 2019
3.	Yokohama DC Site 2-A 8-5, Sachiura 1-chome, Kanazawa-ku, Yokohama-shi, Kanagawa-ken, 236-0003, Japan 横浜 DC Site 2-A 〒236-0003 神奈川県横浜市金沢区幸浦一丁目8番5	The subject site area is 74,722.26 sq m. The existing buildings are undergoing demolition. The property is located in an industrial area of the metropolitan bayside area with large-scale logistics properties. The Group has trust beneficiary right of the property. The land are owned by Mitsubishi UFJ Trust and Banking Corporation (trustee). The buildings are owned by Mitsubishi Heavy Industries, Ltd., on the registered documents, but the buildings are undergoing demolition.	As at the valuation date, the property is identified as an owner-occupied building and its site, and is undergoing demolition.	JPY17,100,000,000 (100% interest attributable to the Group: JPY17,100,000,000)

Notes :-

- (1) According to the Real Estate Title Certificate Lot No. 8-5 Sachiura1-chome issued by Legal Affairs Bureau dated September 27, 2019, the ownership right of the property with a total site area of 74,722.26 sq m have been vested in Mitsubishi UFJ Trust and Banking Corporation as trustee. ESR Sachiura 3 TMK has trust beneficiary right of the property.
- (2) The property is located in an Industrial Area with designated FAR of 200% and building cover ratio of 60%.
- (3) Our key assumptions of the valuation are:
 - (i) The vacant land value was estimated by applying the Sales Comparison Approach and the DCF Method assuming development of leased property. The below is assumption summary of the DCF Method.
 - Assumed building is a four-storey logistics facility with gross floor area of 167,366 sq m and net rentable area of 146,452 sq m which is based on the development plan provided by the Group.
 - Rental value for warehouse and office are JPY4,400 and JPY6,500 per month per tsubo consequently.
 - The discount rate of 4.0% is applied.
 - The terminal capitalization rate of 4.3% is applied;
 The Sales Comparison Approach Value: JPY 12,300,000,000
 The DCF Method Value: JPY 17,700,000,000
 The vacant land value has been concluded putting emphasis on the DCF Method Value (development of leased property) with reference to the Sales Comparison Approach Value.
 The vacant land value: JPY 17,700,000,000
 - (ii) The appraised value estimate of the subject property is calculated by deducting the building demolition cost (including the carrying-out of contaminated soil) and sea bank repair cost from the vacant land value.
 Demolition cost: JPY 463,000,000
 Sea bank repair cost: JPY 150,000,000
- (4) The Beneficially Rights on the Real Estate Title Certificate of the property are legal, valid and enforceable.
- (5) The trust beneficiary right of the property was acquired by the Group on March 29, 2019. The details of the acquisition were not disclosed for this valuation.

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at September 30, 2019
4.	Yokohama DC Site 2-B	The subject site area is 74,722.26 sq m.	As at the valuation date, the property is identified as an owner-occupied building and its site, and is undergoing demolition.	JPY17,900,000,000 (100% interest attributable to the Group: JPY17,900,000,000)
	8-4, Sachiura 1-chome, Kanazawa-ku, Yokohama-shi, Kanagawa-ken, 236-0003, Japan 横浜 DC Site 2-B 〒236-0003 神奈川県横浜市金沢区幸浦一丁目8番4	The existing buildings are undergoing demolition. The property is located in an industrial area of the metropolitan bayside area with large-scale logistics properties. The Group has trust beneficiary right of the property. The land are owned by Mitsubishi UFJ Trust and Banking Corporation (trustee). The buildings are owned by Mitsubishi Heavy Industries, Ltd., on the registered documents, but the buildings are undergoing demolition.		

Notes :-

- (1) According to the Real Estate Title Certificate Lot No. 8-4 Sachiura1-chome issued by Legal Affairs Bureau dated September 27, 2019, the ownership right of the property with a total site area of 74,722.26 sq m have been vested in Mitsubishi UFJ Trust and Banking Corporation as trustee. ESR Sachiura 3 TMK has trust beneficiary right of the property.
- (2) The property is located in an Industrial Area with designated FAR of 200% and building cover ratio of 60%.
- (3) Our key assumptions of the valuation are:
 - (i) The vacant land value was estimated by applying the Sales Comparison Approach and the DCF Method assuming development of leased property. The below is assumption summary of the DCF Method.
 - Assumed building is a four-storey logistics facility with gross floor area for FAR of 163,622 sq m and net rentable area of 147,320.5 sq m which is based on the development plan provided by the Group.
 - Rental value for warehouse and office are JPY4,400 and JPY6,500 per month per tsubo consequently.
 - The discount rate of 4.0% is applied.
 - The terminal capitalization rate of 4.3% is applied;
 The Sales Comparison Approach Value: JPY 11,700,000,000
 The DCF Method Value: JPY 18,500,000,000
 The vacant land value has been concluded putting emphasis on the DCF Method Value (development of leased property) with reference to the Sales Comparison Approach Value.
 The vacant land value: JPY 18,500,000,000
 - (ii) The appraised value estimate of the subject property is calculated by deducting the building demolition cost (including the carrying-out of contaminated soil) and sea bank repair cost from the vacant land value.
 Demolition cost: JPY 463,000,000
 Sea bank repair cost: JPY 150,000,000
- (4) The Beneficially Rights on the Real Estate Title Certificate of the property are legal, valid and enforceable.
- (5) The trust beneficiary right of the property was acquired by the Group on March 29, 2019. The details of the acquisition were not disclosed for this valuation.

The following is the text of a letter with the summary of values and valuation certificates received from CBRE Limited, an independent valuer, prepared for the purpose of incorporation in this document, in connection with their valuation as of September 30, 2019 of certain property interests held by the Group.



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地產代理（公司）牌照號碼
Estate Agent's License No: C-004065

October 22, 2019

The Board of Directors
ESR Cayman Limited

Dear Sirs,

In accordance with instructions from ESR Cayman Limited (the “Company”) to value certain property interests held by ESR Cayman Limited and its subsidiaries (collectively referred to as “the Group”) in Australia, we confirm that we have carried out inspections, made relevant enquiries, and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of property interests as of September 30, 2019 (the “Valuation Date”).

Valuation Basis, Assumptions and Methodology

Our valuation is prepared in accordance with the HKIS Valuation Standards (2017 Edition) published by the Hong Kong Institute of Surveyors (“the HKIS”), the RICS Valuation—Global Standards 2017 published by the Royal Institution of Chartered Surveyors (“RICS”) and International Valuation Standards (“IVS”) published by the International Valuation Standards Council.

Our valuation is made on the basis of Market Value which is defined as “the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”



We have also complied with all the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, or any similar arrangement, which would serve to affect the values of the property interests.

No allowance has been made in our valuation for any charges, mortgages or amounts owing neither on the property nor for any expenses or taxation which may be incurred in effecting the sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the properties in Group I which are held by the Group for investment, we have adopted the Income Capitalization Approach and Discounted Cash Flow (“DCF”) Approach, which are considered as appropriate and are commonly accepted approaches for logistics/industrial properties. The Income Capitalization Approach involves the capitalization of the net rental income derived from the existing tenancies with due allowance for the reversionary income potential of the property. The DCF Approach involves discounting the future net cash flow of the property to its present value by using an appropriate discount rate that reflects the rate of return required by a typical investor for an investment of this type. We have prepared a 10-year cash flow forecast for properties, with reference to the current and anticipated market conditions. Where applicable, we have also considered the Direct Comparison Approach as a reference check for the valuations arrived at from the Income Capitalization Approach and the DCF Approach, assuming sales with benefit of vacant possession in their existing states by making reference to comparable sales transactions as available in the market.

Source of Information

We have relied on information provided by the Group, in particular, but not limited to planning approvals, statutory notices, easements, site areas, floor areas, tenancy schedules and other relevant information. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificates are only approximations. We have taken every reasonable care both during and inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided to us.

CBRE has conducted title searches for the properties. However, we have not scrutinized the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us. It is assumed that, unless otherwise stated, the properties have no known encumbrances or liens that would adversely affect the market value of the property. During the course of our valuation, we have relied on information provided by the Group.



Property Inspection

We have inspected the exterior of the properties and, where possible, the interior of the properties. During the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural surveys, nor any tests were made on the building services, nor any investigation to determine the presence of any deleterious or hazardous materials in the properties. Therefore, we are not able to report whether the properties are free of rot, infestation, deleterious materials or any other structural defects.

We have not carried out site measurements to verify the correctness of the areas of the properties. We have assumed that the areas shown on the documents and site plans provided to us are correct. During our inspection, we have not carried out investigations on the site to determine the suitability of the ground conditions and the services for any future development. Our valuation is on the basis that these aspects are satisfactory.

Inspections of the properties were carried out in the period between October 1, 2019 and October 9, 2019 by technical staff including Michael Pisano and Ryan Korda. Both are licensed and Certified Practicing Valuers within Australia and have more than 10 years of experience in the valuation of properties in Australia.

Currency

Unless otherwise stated, all monetary amounts are stated in Australian Dollars (“AUD”), the official currency of Australia.

We enclose herewith our summary of values and valuation certificates.

Yours faithfully,
For and on behalf of
CBRE Limited

Daniel Mohr
AAPI FRICS RICS Registered Valuer
Executive Director
Valuation & Advisory Services

Note: Mr. Daniel Mohr is a Fellow of the Royal Institution of Chartered Surveyors. He has over 15 years of valuation experience in Australia, PRC, Hong Kong and throughout Asia.



SUMMARY OF VALUES

No.	Property	Market value in existing state as at September 30, 2019	Interests attributable to the Group	Market value attributable to the Group as at September 30, 2019
Group I—Properties held by the Group for investment in Australia				
1.	15 Talavera Road, Macquarie Park, New South Wales, Australia	AUD 96,000,000	92.2%	AUD 88,512,000
2.	Gateway Estate, 7-15 Gundah Road, Mount Kuring-Gai, New South Wales, Australia	AUD 63,100,000	92.2%	AUD 58,178,200
3.	18-20 Orion Road, Lane Cove West, New South Wales, Australia	AUD 51,725,000	92.2%	AUD 47,690,450
4.	Melbourne Markets Warehousing, 315 Cooper Street, Epping Victoria, Australia	AUD 116,000,000	92.2%	AUD 106,952,000
	<i>Group I Sub-total:</i>	<i>AUD 326,825,000</i>		<i>AUD 301,332,650</i>
	<i>Grand Total:</i>	<i>AUD 326,825,000</i>		<i>AUD 301,332,650</i>



Group I—Properties held by the Group for investment in Australia

VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Market Value as at September 30, 2019
1.	15 Talavera Road, Macquarie Park, New South Wales, Australia	The property is an eight level office and warehouse building completed in 1990, occupying a site with total site area of 15,080.0 sqm. Located in Macquarie Park, a north western suburb of Sydney which is approximately 12 kilometers north-west of North Sydney CBD and 15 kilometers north-west of Sydney CBD. More particularly, the property is situated on the western side of Talavera Road, approximately 200 meters from its intersection with Lane Cove Road. The ground level provides an entry foyer, lobby café, parking, high-clearance warehouse and loading dock, whilst Levels 2 to 4 are secure parking and storage. Levels 5 to 8 are commercial office accommodation with a central atrium. The total lettable area of the property is 12,637.6 sqm. There is a total of 512 car parking spaces on site, comprising 501 income generating spaces with 330 secure, 46 tandem, 125 open on grade. The remaining 11 spaces are set aside for visitors, contractors and disabled persons. The property is held freehold.	As at the valuation date, the office, warehouse and retail portions of the property were 100% leased, and were subject to various leases at a total annual rent of approximately AUD 4,086,204, with the latest expiry date on June 30, 2027. The carpark portion of the property with 501 car parking spaces was subject to various leases and license agreements at a total annual rent of approximately AUD 1,263,603, with the latest expiry date on June 30, 2027. The total annual other income including signage, telecoms and storeroom rent, was approximately AUD 90,378.	AUD96,000,000 (92.2% interest attributable to the Group: AUD88,512,000)

Notes:

- According to the records of New South Wales Land Registry Services, the property is legally known as Lot 1 in Deposited Plan 1014894. The registered owner of the property is MISTA Pty Limited.
- The property is situated within an area zoned "B7 Business Park" under the Ryde Local Environmental Plan 2014.
- The property is subject to a mortgage in favor of Westpac Banking Corporation.
- The key assumptions of the valuation are considered as below:

Average Market Rent (psm)	AUD 356
Capitalization Rate	5.75%
Terminal Capitalization Rate	6.125%
Discount Rate	6.50%



We have made reference to recent leasing transactions within the property, as well as rental evidence of similar developments which have characteristics comparable to the property which indicate a range of AUD 295 psm to AUD 430 psm for office premises and AUD 140 psm to AUD 190 psm for warehouse premises. The adopted market rent of AUD 365 psm to AUD 385 psm for the office portion and AUD 185 to AUD 195 psm for the warehouse portion are in line the relevant comparables.

We have gathered and analyzed the rates of return of relevant sales evidence which indicate equivalent yields of approximately 5.00% to 6.30%, and IRR's of approximately 6.25% to 7.10%. The adopted capitalization rate, terminal capitalization rate and discount rate are reasonable having regard to the analyzed yields, reflecting the nature, location, tenancy profile of the property when compared with current market investment criteria.

We have also made reference to the unit prices of the various sales evidence which range from AUD 5,210 psm to AUD 13,990 psm. The adopted unit rate of approximately AUD 7,600 psm is consistent with the relevant comparables.



VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Market Value as at September 30, 2019
2. Gateway Estate, 7-15 Gundah Road, Mount Kuring-Gai, New South Wales, Australia	Gateway Estate is a multi-unit industrial complex extending across four buildings and 24 separate units, completed in stages since 2005, occupying a site with total site area of 58,320.0 sqm. The property is located within the Mount Kuring-Gai Industrial Estate, approximately 45 kilometers to the north of the Sydney CBD, and approximately 35 kilometers from North Sydney. More particularly it is located along the north western elevation of Gundah Road, which is a cul-de-sac at its most north eastern extremity. The property provides modern office and high-clearance warehouse accommodation, roller shutter door access and on grade parking for tenants and visitors. The total lettable area of the property is 32,846.0 sqm. Two larger buildings are positioned to the northern portion of the site which house Units 1 to 24, whilst two smaller buildings are located towards the southern portion of the site, housing Units A, B and C. The property is held freehold.	As at the valuation date, a portion of the property totaling 31,472.0 sqm was subject to various leases at a total annual rent of approximately AUD 4,300,765, with the latest expiry date on November 30, 2023. The remaining portion was vacant.	AUD63,100,000 (92.2% interest attributable to the Group: AUD58,178,200)

Notes:

- According to the records of New South Wales Land Registry Services, the property is legally known as Lot 1 in Deposited Plan 1182846. The registered owner of the property is MISTA Pty Limited.
- The majority of site is zoned "IN1 General Industrial", whilst the north western portion of site is zoned "E3 Environmental Management" under the Hornsby Local Environmental Plan 2013.
- The property is subject to a mortgage in favor of Westpac Banking Corporation.
- The key assumptions of the valuation are considered as below:

Average Market Rent (psm)	AUD 133
Capitalization Rate	6.375%
Terminal Capitalization Rate	6.875%
Discount Rate	7.00%

We have made reference to recent leasing transactions within the property, as well as rental evidence of similar developments which have characteristics comparable to the property which indicate a range of AUD 123 psm to AUD 215 psm. The adopted market rents of AUD 130 psm to AUD 135 psm are in line with the relevant comparables.



We have gathered and analyzed the rates of return of relevant sales evidence which indicate equivalent yields of approximately 3.80% to 7.85%, and IRR's of approximately 6.35% to 8.20%. The adopted capitalization rate, terminal capitalization rate and discount rate are reasonable having regard to the analyzed yields, reflecting the nature, location, tenancy profile of the property when compared with current market investment criteria.

We have also made reference to the unit prices of the various sales evidence which range from AUD 1,225 psm to AUD 6,530 psm. The adopted unit rate of approximately AUD 1,920 psm is consistent with the relevant comparables.



VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Market Value as at September 30, 2019
3. 18-20 Orion Road, Lane Cove West, New South Wales, Australia	The property is a nine-level office building, with six split levels of basement car parking and on-grade parking completed circa 1990, occupying a site with a total site area of 8,938.0 sqm. The property is located in Lane Cove West, approximately 12 kilometers north-west of the Sydney CBD. More specifically, it is situated on the north-western side of Orion Road at its transition with Sam Johnson Way, which provides the sole access route into the Lane Cove West industrial precinct from Epping Road. The property is adjacent to the vacant land at 14-16 Orion Road. The office accommodation is arranged over ground and eight upper levels, with majority of the upper office floors subdivided to provide multiple office suites. A child care center operates on the lower ground level. The total lettable area of the property is 8,749.8 sqm. There is a total of 314 car parking spaces, with 286 spaces over six split levels of basement parking and a further 28 on grade car parking spaces. The property is held freehold.	As at the valuation date, a portion of the property totaling 7,463.5 sqm was subject to various leases at a total annual rent of approximately AUD 2,121,651, with the latest expiry date on January 31, 2025. The carpark portion of the property with 310 car parking spaces was subject to various leases and license agreements at a total annual rent of approximately AUD 769,625, with the latest expiry date on April 29, 2035. The remaining portion was vacant. The total annual other income including the child care facility, storage, signage, telecom and product testing facility, was approximately AUD 384,016.	AUD51,725,000 (92.2% interest attributable to the Group: AUD47,690,450)

Notes:

- According to the records of New South Wales Land Registry Services, the property is legally known as Lot 2 in Deposited Plan 1095363. The registered owner of the property is Propertylink (Holdings) Limited.
- The property is situated within an area zoned "IN2 Light Industrial" under the Lane Cove Local Environmental Plan 2009.
- The property is subject to a mortgage in favor of Westpac Banking Corporation.
- The key assumptions of the valuation are considered as below:

Average Market Rent (psm)	AUD 309
Capitalization Rate	6.50%
Terminal Capitalization Rate	7.00%
Discount Rate	7.00%

We have made reference to recent leasing transactions within the property, as well as rental evidence of similar developments which have characteristics comparable to the property which indicate a range of AUD 265 psm to AUD 350 psm. The adopted market rental rates of AUD 303 psm to AUD 320 psm are in line the relevant comparables.



We have gathered and analyzed the rates of return of relevant sales evidence which indicate equivalent yields of approximately 5.00% to 7.00%, and IRR's of approximately 6.25% to 7.20%. The adopted capitalization rate, terminal capitalization rate and discount rate are reasonable having regard to the analyzed yields, reflecting the nature, location, tenancy profile of the property when compared with current market investment criteria.

We have also made reference to the unit prices of the various sales evidence which range from AUD 3,030 psm to AUD 13,990 psm. The adopted unit rate of approximately AUD 5,910 psm is consistent with the relevant comparables.



VALUATION CERTIFICATE

	Property	Description and tenure	Details of occupancy	Market Value as at September 30, 2019
4.	Melbourne Markets Warehousing, 315 Cooper Street, Epping Victoria, Australia	The property comprises 5 separate multi-tenanted warehouses completed circa 2015, occupying a site with a total site area of 155,180.0 sqm. Melbourne Markets Warehousing is situated on the southern side of Cooper Street, abutting the Hume Freeway (western site alignment), within Epping, approximately 18 radial kilometers north of the Melbourne CBD. The warehouses provide both insulated (sandwich panel) and conventional (concrete dado) accommodation, and can be accessed via a mixture of on-grade and recessed loading. The warehouses provide direct proximity warehousing accommodation to the 'trading floors' of the Melbourne Market which is Melbourne's wholesale fruit and vegetable market place. The warehouses are used for storage and generally occupied by wholesalers, traders and farming entities. The total lettable area of the property is 76,192.5 sqm. The property is subject to a leasehold interest whereby Mista have an interest as Lessee, having a ground lease with a term certain of 36 years remaining. We have valued the leasehold interest.	As at the valuation date, a portion of the property totaling 74,906.7 sqm was subject to various leases at a total annual rent of approximately AUD 9,404,609, with the latest expiry date on September 23, 2030. The remaining portion was vacant.	AUD116,000,000 (92.2% interest attributable to the Group: AUD106,952,000)

Notes:

1. The registered owner of the property is Secretary to the Department of Economic Development, Jobs, Transport and Resources.
2. The property is subject to a ground lease between Melbourne Market Authority who are a state government owned entity (the lessor) and Hansen Yuncken Pty Ltd as assigned to Propertylink (Mista Pty Ltd) (the lessee). The current ground rent is AUD 1,118,998 per annum, with a rent review scheduled for January 10, 2020 at a fixed rent of AUD 1,980,097 per annum.
3. The property is situated within an area zoned "Priority Development Zone" (PDZ) with "Design and Development Overlay" (DDO) on a portion of the property.
4. A small portion of the property is located within an area of cultural heritage sensitivity. We consider that it is unlikely to have material impact to the market value of the property.



5. There is potential that the RLA 2003 may be applicable to some or all the leases. A recent ruling “CB Cold Storage Pty Ltd v IMCC Group (Australia) Pty Ltd (2017)” by the Supreme Court has effectively determined that a lease for an industrial property (or any property) that details the provision of services could be governed by the RLA 2003. As such, traditional warehousing, logistics and manufacturing leases could be considered retail premises under the Act. The Supreme Court decision has led to much conjecture as to what does / does not fall under the RLA 2003 (for all asset classes including industrial properties which have traditionally been acknowledged as being excluded from the Act). A subsequent appeal was dismissed in the High Court ensuring this ruling and original decision stands. It is a critical assumption of this valuation that the RLA 2003 is not applicable to the leases. Should the RLA 2003 be applicable, this could have an impact on the market value (and could also result in a State Land Tax liability payable to the tenant). We are advised by the Group that the RLA is not applicable to any of the leases. Our view is that there is a fairly limited risk of the Act applying and if it did apply that it would only apply to certain tenancies (i.e. risk is spread).
6. The property is subject to a mortgage in favor of Westpac Banking Corporation.
7. The key assumptions of the valuation are considered as below:

Average Market Rent (psm)	AUD 137
Capitalization Rate	6.25%
Terminal Capitalization Rate	7.25%
Discount Rate	7.50%

We have made reference to recent leasing transactions within the property, as well as rental evidence of similar developments which have characteristics comparable to the property which indicate a range of AUD 90 psm to AUD 168 psm for conventional warehouse properties and AUD 115 psm to AUD 264 psm for temperature controlled / part specialized warehouse properties. The adopted market rent of AUD 125 psm for the non-insulated warehouses and AUD 150 psm to AUD 200 psm for warehouses with insulation are in line the relevant comparables.

We have gathered and analyzed the rates of return of relevant sales evidence which indicate equivalent yields of approximately 6.10% to 11.05% and IRR's of approximately 7.00% to 10.35% for leasehold assets; and equivalent yields of approximately 5.05% to 6.90% and IRR's of approximately 5.60% to 7.85% for freehold assets. The adopted capitalization rate, terminal capitalization rate and discount rate are reasonable having regard to the analyzed yields, reflecting the nature, location, tenancy profile of the property when compared with current market investment criteria, with consideration to the remaining leasehold interest.

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at September 30, 2019 of the property held by the Company.



Jones Lang LaSalle Corporate Appraisal and
Advisory Limited
7th Floor One Taikoo Place 979 King's
Road Quarry Bay Hong Kong
tel +852 2846 5000 fax +852 2169 6001
License No. C-030171

October 22, 2019

The Board of Directors
ESR Cayman Limited
2406-07 Man Yee Building,
68 Des Voeux Road Central,
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property held by ESR Cayman Limited (the “Company”) and its subsidiaries in Japan, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at September 30, 2019 (the “valuation date”).

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

We have valued the property interest which is a logistic warehouse held for investment by the Company in Japan by discount cash flow approach, we have considered it as fully operational and going concern property having regard to the trading accounts of previous years, where available, and taking into account the future income stream, following consultation with the instructing party. To this income stream, an appropriate annual present value discount rate has been applied to arrive at an indicated market value.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoing of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited;

the RICS Valuation—Global Standards 2017 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and other relevant matters.

We have been shown copies of various title documents including land title documents relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in Japan and any material encumbrance that might be attached to the property interest or any tenancy amendment.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the property was carried out on October 16, 2019 by Mr. Tanabe Yuma. Mr. Tanabe is a Certified Real Estate Appraiser in Japan and has more than 10 years' experience in the valuation of properties in Japan.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Japanese yen (JPY).

Our valuation is summarized below and the valuation certificate is attached.

Yours faithfully,
for and on behalf of
**Jones Lang LaSalle Corporate Appraisal and
Advisory Limited**

Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 25 years' experience in the valuation of properties in Hong Kong as well as relevant experience in the Asia-Pacific region.

VALUATION CERTIFICATE

Property interest held for investment by the Company in Japan

			Market value in existing state as at September 30, 2019 JPY														
Property	Description and tenure	Particulars of occupancy															
No. 678-1, Kawajimamachi Oaza Tomori, Hiki-gun, Saitama, Japan	The property comprises 3 parcels of land with a total site area of approximately 19,408.10 sq.m. and a building with a total gross floor area (“GFA”) of approximately 39,795.74 sq.m. erected thereon which was completed in 2017.	The property was rented to various tenants as at the valuation date for warehouse and ancillary office purposes.	8,820,000,000														
Land Lot Nos.678-1, 717-2 and 462-2	The building is mainly constructed with steel framed / reinforced concrete structure. The property comprises a 5-storey building with floor loading capacity of 1.5 tons per sq.m., the breakdown of GFA of the building is as follows:- <table><tr><th>Floor</th><th>GFA (sq.m.)</th></tr><tr><td>1F</td><td>9,064.58</td></tr><tr><td>2F</td><td>9,067.77</td></tr><tr><td>3F</td><td>9,067.77</td></tr><tr><td>4F</td><td>6,297.81</td></tr><tr><td>5F</td><td>6,297.81</td></tr><tr><td>Total</td><td>39,795.74</td></tr></table> The property is held under freehold interest.	Floor	GFA (sq.m.)	1F	9,064.58	2F	9,067.77	3F	9,067.77	4F	6,297.81	5F	6,297.81	Total	39,795.74	Please refer to note 4 to 6 for details.	
Floor	GFA (sq.m.)																
1F	9,064.58																
2F	9,067.77																
3F	9,067.77																
4F	6,297.81																
5F	6,297.81																
Total	39,795.74																

Notes:

- Pursuant to the Real Estate Title Certificates (Land) Nos.0302000472853, 0302000472938 and 0302000472226 with registration No.23520 dated August 27, 2019 issued by the Legal Affairs Bureau, the ownership rights of Land Lot Nos.678-1, 717-2 and 462-2 with a total site area of approximately 19,408.10 sq.m. are vested in Mitsubishi UFJ Trust and Banking Corporation as trustee. ESR 22 Tokutei Mokuteki Kaisha, which is an indirect wholly-owned subsidiary of the Company, has beneficiary right of the trust over the lands.
- Pursuant to the Real Estate Title Certificate (Building) No.0302010159840 with registration No.23521 dated August 27, 2019 issued by the Legal Affairs Bureau, the ownership right of the building with a total GFA of approximately 39,795.74 sq.m. are vested in Mitsubishi UFJ Trust and Banking Corporation as trustee. ESR 22 Tokutei Mokuteki Kaisha, which is an indirect wholly-owned subsidiary of the Company, has beneficiary right of the trust over the building.
- The property was acquired by the Company in August 2019 with a purchase price of JPY8,740,000,000.
- Pursuant to 2 Tenancy Agreements, portion of the property with a total net rentable area of approximately 16,022.13 sq.m. and 19 vehicle parking spaces were rented to an independent third party for fixed terms with the expiry dates on April 30, 2024 and March 31, 2020 respectively at a total current monthly rent of JPY16,641,006 for warehouse, office and vehicle parking uses.
- Pursuant to 2 Tenancy Agreements, portion of the property with a total net rentable area of approximately 22,767.82 sq.m. and 52 vehicle parking spaces were rented to an independent third party for fixed terms with the expiry dates on March 31, 2023 and December 31, 2019 respectively at a total current monthly rent of JPY22,624,918 for warehouse, office and vehicle parking uses.
- Pursuant to a Tenancy Agreement, the roof top of the property was rented to an independent third party for fixed terms with the expiry date on February 28, 2037 at a total current monthly rent of JPY44,367 for solar power generation use.
- In undertaking our valuation, we have adopted the discount cash flow approach by taking into account the future income stream of the property, an appropriate discount rate at 4.2%, determined from consideration of various influential factors specific to the property, such as investment risks, location, property use, type of ownership, term of building lease, etc., have been applied to arrive at the market value of the property. A terminal capitalization rate at 4.6% have been applied to assess the residual value of the property after 10 years.
- Our valuation has been made on the following assumptions:
 - As for the ownership and other rights pertaining to the property, we have referred to the registry book at the Legal Affairs Bureau and documents provided by the Company. Our valuation is based on the assumption that there are no security interest, attachment, provisional disposition or occupancy other than those mentioned in this report.
 - The Company has obtained relevant title certificates of the property and is entitled to legally use, transfer, lease, mortgage or otherwise dispose of the ownership rights of the property without any encumbrances.

9. Details of the property:

a)	General description of location of the property	:	The property is located in an industrial area with designated building cover ratio (“BCR”) of 60% and designated floor area ratio (“FAR”) of 200%. It is approximately 4km from Kawajima entrance on the Ken-O Expressway and approximately 3.5km from Takasaka station on the Tobu Tojo Railway Line. The site is irregular in shape and the surrounding developments are mainly middle to large scale factories and warehouses.
b)	Details of encumbrances, liens, pledges, mortgages against the property	:	Nil
c)	Details of investigations, notices, pending litigation, breaches of law or title defects	:	Nil
d)	Future plans for construction, renovation, improvement or development of the property and estimated associated costs	:	As advised by the Company, there is no plan for new major development in the next 12 months from the date of this document.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Companies Law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on June 14, 2011 under the Cayman Companies Law. The Company's constitutional documents consist of its amended and restated memorandum of association ("**Memorandum**") and its amended and restated articles of association ("**Articles**").

A. MEMORANDUM OF ASSOCIATION

The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

B. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on October 12, 2019. A summary of certain provisions of the Articles is set out below.

1. SHARES

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) *Alteration of capital*

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so canceled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

(iv) *Transfer of shares*

Subject to the Cayman Companies Law and the requirements of the Stock Exchange all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House (as defined in the Articles) or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognize any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably

require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) *Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the SFC.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) *Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) *Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or installment of a call on the day appointed for payment, the Board may, for so long as any part of the call or installment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

2. DIRECTORS

(i) *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary

resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (a) resigns;
- (b) dies;
- (c) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (d) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (e) is prohibited from being or ceases to be a director by operation of law;
- (f) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office be vacated;
- (g) has been required by any stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (h) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) *Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) *Power to dispose of the assets of the Company or any of its subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) *Borrowing powers*

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as

the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants (revocable or irrevocable), whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) *Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) *Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other

company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (a) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (d) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (A) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (B) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (e) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

3. PROCEEDINGS OF THE BOARD

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

4. ALTERATIONS TO THE CONSTITUTIONAL DOCUMENTS AND THE COMPANY'S NAME

To the extent that the same is permissible under Cayman Companies Law and subject to the Articles, the Memorandum and Articles may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

5. MEETINGS OF MEMBERS

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for this purpose as paid up on the share; and (b) on a show of

hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorized corporate representative):

- (a) at least two members;
- (b) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (c) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House (as defined in the Articles) or its nominee(s) be a member of the Company, such person or persons may be authorized as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized in accordance with this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House (as defined in the Articles) or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) ***Annual general meetings***

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorized by the Stock Exchange at such time and place as may be determined by the Board.

(iv) ***Notices of meetings and business to be conducted***

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

Extraordinary general meetings shall also be convened on the requisition of one or more members holding at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorized officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favor of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

6. ACCOUNTS AND AUDIT

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorized by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of any stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to members who have, in accordance with the rules of that stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of any stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarized financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at any general meeting convened and held in accordance with the Articles of the Company, remove the auditors by special resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

7. DIVIDENDS AND OTHER METHODS OF DISTRIBUTION

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by check or warrant sent through the post. Every such check or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in a general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending checks for dividend entitlements or dividend warrants by post if such checks or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a check or warrant is returned undelivered.

8. INSPECTION OF CORPORATE RECORDS

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

9. RIGHTS OF MINORITIES IN RELATION TO FRAUD OR OPPRESSION

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Companies Law, as summarized in the paragraph headed "C. Cayman Companies Law – 6. Protection of Minorities and Shareholders' Suits" of this Appendix to the Prospectus.

10. PROCEDURES ON LIQUIDATION

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

- (ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

11. SUBSCRIPTION RIGHTS RESERVE

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

C. CAYMAN COMPANIES LAW

The Company was incorporated in the Cayman Islands as an exempted company on June 14, 2011 subject to the Cayman Companies Law. Certain provisions of Cayman Companies Law are set out below but this paragraph of the Prospectus does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

1. COMPANY OPERATIONS

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

2. SHARE CAPITAL

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancelation of shares in any other company and

issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

3. FINANCIAL ASSISTANCE TO PURCHASE SHARES OF A COMPANY OR ITS HOLDING COMPANY

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

4. PURCHASE OF SHARES AND WARRANTS BY A COMPANY AND ITS SUBSIDIARIES

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorize the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of

its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as canceled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either canceled or transferred pursuant to the Cayman Companies Law.

A company incorporated in the Cayman Islands may be able to purchase its own warrants, subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Companies Law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

5. DIVIDENDS AND DISTRIBUTIONS

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

6. PROTECTION OF MINORITIES AND SHAREHOLDERS' SUITS

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an

alternative to a winding up order: (i) an order regulating the conduct of the company's affairs in the future; (ii) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do; (iii) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct; or (iv) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

7. DISPOSAL OF ASSETS

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

8. ACCOUNTING AND AUDITING REQUIREMENTS

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities. Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

9. EXCHANGE CONTROL

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

10. TAXATION

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

- (ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (a) on or in respect of the shares, debentures or other obligations of the Company; or
 - (b) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 30 years from February 25, 2019.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

11. STAMP DUTY ON TRANSFERS

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies, save for those which hold interests in land in the Cayman Islands.

12. LOANS TO DIRECTORS

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

13. INSPECTION OF CORPORATE RECORDS

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

14. REGISTER OF MEMBERS

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

15. REGISTER OF DIRECTORS AND OFFICERS

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the

public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

16. WINDING UP

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment. If no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

17. RECONSTRUCTIONS

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

18. TAKE-OVERS

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

19. INDEMNIFICATION

Cayman Companies Law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. INCORPORATION OF OUR COMPANY**

We were incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on June 14, 2011. We have established a principal place of business in Hong Kong at 2406-07 Man Yee Building, 68 Des Voeux Road, Central, Hong Kong, and registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on October 8, 2018 under the same address. Mr. Jinchu Shen has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As we were incorporated in the Cayman Islands, our corporate structure and Memorandum of Association and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum of Association and Articles of Association is set out in “Appendix VII—Summary of the constitution of our Company and Cayman Companies Law” in this Prospectus.

2. CHANGES IN THE SHARE CAPITAL OF OUR COMPANY

As of the date of incorporation of our Company, our Company had an authorized share capital of US\$50,000, divided into 50,000,000 shares of a par value of US\$0.001 each. On June 14, 2011, one share was allotted and issued at par value to the initial subscriber and transferred to WP OCIM at par.

The following changes in the authorized share capital of our Company have taken place since the date of incorporation of our Company up to the date of this Prospectus:

- (i) on June 30, 2011, the authorized share capital was increased to US\$216,000 and the ordinary shares in our authorized share capital were re-classified and re-designated into 118,800,000 Class A Shares and 97,200,000 Class B Shares;
- (ii) on April 17, 2012, the authorized share capital was increased to US\$300,000 and divided into 165,000,000 Class A Shares and 135,000,000 Class B Shares;
- (iii) on July 26, 2012, the authorized share capital was increased to US\$1,300,000 and the shares in our authorized share capital were re-classified and re-designated into 500,000,000 Class A Shares, 700,000,000 Class B Shares, and 100,000,000 Class C Shares;
- (iv) on August 28, 2013, we increased our authorized share capital to US\$1,800,000 divided into 600,000,000 Class A Shares, 1,000,000,000 Class B Shares, and 200,000,000 Class C Shares;
- (v) on May 26, 2014, the 1,000,000 Class B Shares in our authorized share capital and held solely by WP OCIM were re-classified and re-designated into 1,000,000 Class B1 Shares and the authorized share capital was increased to US\$2,250,000 and the shares in our authorized share capital were re-classified and re-designated into 600,000,000 Class A Shares, 1,000,000,000 Class B1 Shares, 50,000,000 Class B2 Shares, 400,000,000 Class B3 Shares and 200,000,000 Class C Shares;
- (vi) on September 25, 2015, the authorized share capital was decreased to US\$2,050,000 and the shares in our authorized share capital were re-classified and re-designated into 600,000,000 Class A Shares, 1,000,000,000 Class B1 Shares, 50,000,000 Class B2 Shares and 400,000,000 Class B3 Shares;

- (vii) on November 3, 2015, the authorized share capital was increased to US\$2,650,000 and the shares in our authorized share capital were re-classified and re-designated into 600,000,000 Class A Shares, 1,000,000,000 Class B1 Shares, 100,000,000 Class B2 Shares, 400,000,000 Class B3 Shares, 500,000,000 Class B4 Shares, 50,000,000 Class B5 Shares;
- (viii) on December 23, 2016, the authorized share capital was increased to US\$3,300,000 and the shares in our authorized share capital were re-classified and re-designated into 600,000,000 Class A Shares, 1,000,000,000 Class B1 Shares, 100,000,000 Class B2 Shares, 400,000,000 Class B3 Shares, 500,000,000 Class B4 Shares, 100,000,000 Class B5 Shares, 300,000,000 Class C Shares and 300,000,000 Class C Preference Shares;
- (ix) on July 31, 2017, the authorized share capital was increased to US\$3,600,000 and the shares in our authorized share capital were re-classified and re-designated into 600,000,000 Class A Shares, 1,000,000,000 Class B1 Shares, 100,000,000 Class B2 Shares, 400,000,000 Class B3 Shares, 500,000,000 Class B4 Shares, 100,000,000 Class B5 Shares, 300,000,000 Class B6 Shares, 300,000,000 Class C Shares and 300,000,000 Class C Preference Shares;
- (x) on November 29, 2017, the authorized share capital was increased to US\$3,800,000 and the shares in our authorized share capital were re-classified and re-designated into 600,000,000 Class A Shares, 1,000,000,000 Class B1 Shares, 100,000,000 Class B2 Shares, 400,000,000 Class B3 Shares, 500,000,000 Class B4 Shares, 100,000,000 Class B5 Shares, 300,000,000 Class B6 Shares, 200,000,000 Class B7 Shares, 300,000,000 Class C Shares and 300,000,000 Class C Preference Shares;
- (xi) on May 10, 2018, the authorized share capital was increased to US\$4,100,000 and the shares in our authorized share capital were re-classified and re-designated into 600,000,000 Class A Shares, 1,000,000,000 Class B1 Shares, 100,000,000 Class B2 Shares, 400,000,000 Class B3 Shares, 500,000,000 Class B4 Shares, 100,000,000 Class B5 Shares, 300,000,000 Class B6 Shares, 200,000,000 Class B7 Shares, 300,000,000 Class B8 Shares, 300,000,000 Class C Shares and 300,000,000 Class C Preference Shares; and
- (xii) on June 15, 2018, the authorized share capital was increased to US\$4,400,000 and the shares in our authorized share capital were re-classified and re-designated into 600,000,000 Class A Shares, 1,000,000,000 Class B1 Shares, 100,000,000 Class B2 Shares, 400,000,000 Class B3 Shares, 500,000,000 Class B4 Shares, 100,000,000 Class B5 Shares, 300,000,000 Class B6 Shares, 200,000,000 Class B7 Shares, 300,000,000 Class B8 Shares, 300,000,000 Class B9 Shares, 300,000,000 Class C Shares and 300,000,000 Class C Preference Shares.

Changes in the share capital of our Company taken place since the date of incorporation of our Company up to the date of this Prospectus are set out in the section headed “History, Development and Corporate Structure—Major Shareholding Changes of our Company” in the Prospectus.

Immediately following the completion of the Global Offering, the issued share capital of our Company will be US\$3,036,584.643, divided into 3,036,584,643 Shares of US\$0.001 each, all fully paid or credited as fully paid and 4,963,415,357 Shares of US\$0.001 each will remain unissued.

Save as disclosed above and in this Prospectus, there has been no alteration in the authorized or issued share capital of our Company since its incorporation.

3. WRITTEN RESOLUTIONS OF OUR SHAREHOLDERS PASSED ON JUNE 4, 2019 AND OCTOBER 12, 2019

Pursuant to the written resolutions of our Shareholders passed on June 4, 2019 and October 12, 2019, respectively, resolutions were passed under which, among other things:

- (i) the authorized share capital of our Company was increased from US\$4,400,000 to US\$8,000,000 by the creation of a further 3,600,000,000 Shares upon completion of the Share Redesignation;
- (ii) the Share Conversion and the Share Redesignation were approved and adopted with effect from the Listing Date;
- (iii) the Memorandum and the Articles of Association were approved and adopted with effect from the Listing Date; and
- (iv) conditional on: (a) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Prospectus; (b) the Offer Price being duly determined among our Company (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters); and (c) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the dates as may be specified in the Underwriting Agreements:
 - (a) the Global Offering was approved and the Directors were authorized to approve the allotment and issuance of the New Shares;
 - (b) the rules of the Post-IPO Share Option Scheme were approved and adopted and the Directors were authorized, at their absolute discretion, to grant options to subscribe for Shares under the Post-IPO Share Option Scheme and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Post-IPO Share Option Scheme;
 - (c) a general unconditional mandate was granted to our Directors to allot, issue and deal with, otherwise than by way of rights or pursuant to the exercise of any options which may be granted under any share option scheme or by virtue of scrip dividend schemes or similar arrangements in accordance with our Articles, a total number of Shares of not more than the sum of:
 - (A) 20.0% of the total number of Shares in issue immediately following completion of the Global Offering; and
 - (B) the total number of Shares repurchased by our Company (if any) under the general mandate to repurchase Shares as referred to in sub-paragraph (d) below; and
 - (d) a general unconditional mandate was granted to our Directors to exercise all of the powers of our Company to repurchase on the Stock Exchange, or on any

other stock exchange on which our securities may be listed and which is recognized by the SFC and the Stock Exchange, such number of Shares that will represent up to 10% of the total number of Shares in issue immediately following completion of the Global Offering, and the said approval shall be limited accordingly.

Each of the general mandates referred to in sub-paragraphs (c) and (d) above will remain in effect until the earliest of:

- (a) the conclusion of our next annual general meeting;
- (b) the expiration of the period within which our next annual general meeting is required to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

4. CHANGES IN THE SHARE CAPITAL OF OUR MAJOR SUBSIDIARIES

The following sets out the changes in the share capital of our Major Subsidiaries. For details of our Major Subsidiaries, please refer to the section headed “History, Development and Corporate Structure—Our Major Subsidiaries” in this Prospectus.

Since February 20, 2018, Sunwood Singapore Holding Pte. Ltd. allotted and issued further shares to its existing shareholders, amounting to an aggregate of 2,659,441 B1 ordinary shares to Mr. Thomas Nam, 1,772,875 B2 ordinary shares to Mr. Jihun Kang; and 83,107,642 A ordinary shares and 2,770,253 C preference shares to Moonwood Singapore Holdings Pte. Ltd.

On August 10 and 16, 2018, ESR Pte. Ltd allotted and issued 294,587,403 ordinary shares and 13,881,087 ordinary shares, respectively, to our Company and Rosewood (Cayman) Holdings, representing approximately 95.5% and 4.5%, respectively, of its total issued share capital.

On June 21, 2018, RW Higashi Ogishima TMK issued 3,414 preference shares and 3,413 preference shares to RW Higashi Ogishima GK and RW Higashi SPE 1 Pte. Ltd, respectively, representing approximately 1.35% and 1.35%, respectively, of its total issued share capital.

On October 16, 2018, CIP allotted and issued 253 ordinary shares to ESR Developments (Australia) Pty Ltd representing approximately 17.4% of its total issued shares after the issue, and further allotted and issued 128 ordinary shares to ESR Developments (Australia) Pty Ltd on February 27, 2019, representing approximately 8.1% of its total issued shares after the issue. On March 13, 2019, CIP further allotted and issued 271 ordinary shares to ESR Developments (Australia) Pty Ltd, representing approximately 14.6% of its total issued shares after the issue. On June 7, 2019, CIP further allotted and issued 156 ordinary shares to ESR Developments (Australia) Pty Ltd, representing approximately 7.8% of its total issued shares after the issue.

On October 22, 2018, ESR Funds Management (S) Limited allotted and issued 995,445 ordinary shares and 681,818 ordinary shares to ESR Investment Management Pte. Ltd and SSPL, respectively, representing approximately 36.5% and 25.0%, respectively, of its total issued share capital.

On November 27, 2018, Shanghai Yurun Meat Food Co., Ltd. increased its registered share capital from RMB 84,000,000 to RMB 1,000,000,000. On May 9, 2019, its registered capital was

reduced from RMB1,000,000,000 to RMB481,000,000. On June 12, 2019, its registered capital was increased from RMB481,000,000 to RMB 650,000,000.

Save as disclosed above, there has been no alteration in the registered or issued share capital of any of our Major Subsidiaries within the two years immediately preceding the date of this Prospectus.

5. REPURCHASE BY OUR COMPANY OF OUR OWN SECURITIES

This section includes information relating to the repurchase of our own securities, including information required by the Stock Exchange to be included in this Prospectus concerning such repurchase.

(i) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

- (a) Shareholders' approval All proposed repurchases of securities by a company with its primary listing on the stock exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a specific transaction.

Pursuant to the written resolutions of our Shareholders passed on October 12, 2019, our Directors were granted the Repurchase Mandate, as described in the sub-section headed "3. Written Resolutions of our Shareholders passed on June 4, 2019 and October 12, 2019" in this section above.
- (b) Source of funds The repurchase of Shares listed on the Stock Exchange must be funded out of funds legally available for the purpose in accordance with our Memorandum and Articles and the applicable laws of the Cayman Islands. We may not repurchase Shares on the Stock Exchange for consideration other than cash or for settlement other than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, we may make repurchases with profits of our Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorized by our Articles and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by our Articles and subject to the Cayman Companies Law, out of capital.
- (c) Share capital The exercise in full of the Repurchase Mandate, on the basis of 3,036,584,643 Shares in issue immediately after the completion of the Global Offering, could accordingly result in up to 303,658,464 Shares being repurchased by us during the

- course of the period prior to the date on which the Repurchase Mandate expires or terminates (as referred to in sub-paragraph (a) above).
- (d) Shares to be repurchased The Listing Rules provide that the Shares which are proposed to be purchased by our Company must be fully paid up.
- (e) Suspension of repurchases Shares repurchases are prohibited after a price-sensitive development has occurred or has been the subject of a decision until the time the price-sensitive information has been publicly announced. In addition, the Stock Exchange reserves the right to prohibit repurchases of Shares on the Stock Exchange if our Company has breached the Listing Rules.
- (f) Reporting requirements Repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session (Hong Kong time) on the following Business Day. In addition, we are required to disclose in our Company's annual report details regarding repurchases of Shares made during the year, including the monthly breakdown of the number of Shares repurchased, purchase price per Share and the aggregate price paid. The directors' report shall contain reference to the purchases made during the year and the reasons for making such purchases.
- (g) Connected persons Our Company is prohibited from knowingly repurchasing Shares on the Stock Exchange from a connected person and a connected person is prohibited from knowingly selling his securities to our Company.

(ii) General Information relevant to the Repurchase Mandate

Our Directors believe that it is in the best interests of us and our Shareholders to have a general authority from the Shareholders to enable our Directors to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit us and our Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our net value, our assets and/or our earnings per Share.

There may be a material adverse impact on our working capital or gearing position (as compared with the position disclosed in this Prospectus) in the event that the Repurchase Mandate is exercised in full. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels, which in the opinion of our Directors are from time to time appropriate for us.

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective associates has any present intention to sell any Shares to us or our subsidiaries if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate only in accordance with the Listing Rules and the applicable laws of the Cayman Islands. We shall procure the broker who affects the repurchase of Shares to disclose to the Stock Exchange the information in relation to the purchase as the Stock Exchange may request.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, the increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder (or a group of shareholders acting in concert, as defined in the Takeovers Code) could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. In the event that the Repurchase Mandate is exercised in full, the total interests of WP OCIM will be increased to approximately 26.81%. Our Directors are not aware of any consequences that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

No connected person has notified us that he has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. SUMMARY OF MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this Prospectus and are or may be material:

- (i) the IPO implementation deed dated October 18, 2019 and entered into between (a) Laurels Capital Investments Limited; (b) WP OCIM One LLC; (c) Stichting Depositary APG Strategic Real Estate Pool as depositary of APG Strategic Real Estate Pool; (d) Redwood Investment Company, Ltd.; (e) Redwood Investor (Cayman) Ltd.; (f) Kurmasana Holdings, LLC; (g) our Company; (h) Redwood Consulting (Cayman) Ltd.; (i) Bohai Investment Holding Limited; (j) Luckfield Global Limited; (k) Emerald Ewood (Cayman) Limited; (l) SK Holdings Co., Ltd.; (m) General Electric Pension Trust; (n) Stepstone A Opportunities Fund, L.P.; (o) Stepstone Rivas Private Equity Fund, L.P.; (p) Stepstone H Opportunities Fund, L.P.; (q) Stepstone AMP Opportunities Fund, L.P.; (r) Stepstone FSS Opportunities Fund, L.P.; (s) Jingdong Logistics Group Corporation; (t) Montsoreau Investment Limited; (u) Goldman Sachs Investments Holding (Asia) Limited; and (v) Jeffrey Jin Chu Shen (沈晉初) to set out the terms in relation to the implementation of the reorganization of our Company and, if necessary, the unwind of the reorganization of our Company;
- (ii) the bid implementation agreement dated November 12, 2018 and entered into between (a) Propertylink (Holdings) Limited (currently known as ESR Asset Management (Holdings) Limited); (b) Propertylink Investment Management Limited as responsibility entity of Propertylink Australian Industrial Partnership; (c) Propertylink Investment Management Limited as responsibility entity of the Propertylink Trust; and (d) ESR Real Estate (Australia) Pty Ltd in relation to, inter alia, the implementation of the takeover bid for all the Propertylink securities;

- (iii) a share subscription agreement dated November 29, 2017 and entered into between (a) our Company; (b) General Electric Pension Trust; (c) Stepstone A Opportunities Fund, L.P.; (d) Stepstone Rivas Private Equity Fund, L.P.; (e) Stepstone H Opportunities Fund, L.P.; (f) Stepstone AMP Opportunities Fund, L.P.; and (g) Stepstone FSS Opportunities Fund, L.P. in relation to the subscription of (a) 39,289,643 Class B3 Shares at a subscription price of US\$50,000,000 by General Electric Pension Trust; (b) 5,500,550 Class B7 Shares at a subscription price of US\$7,000,000 by Stepstone A Opportunities Fund, L.P.; (c) 11,786,893 Class B7 Shares at a subscription price of US\$15,000,000 by Stepstone Rivas Private Equity Fund, L.P.; (d) 39,289,643 Class B7 Shares at a subscription price of US\$50,000,000 by Stepstone H Opportunities Fund, L.P.; (e) 2,357,379 Class B7 Shares at a subscription price of US\$3,000,000 by Stepstone AMP Opportunities Fund, L.P.; and (f) 11,786,893 Class B7 Shares at a subscription price of US\$15,000,000 by Stepstone FSS Opportunities Fund, L.P.;
- (iv) a share subscription agreement dated April 24, 2018 and entered into between our Company and Jingdong Logistics Group Corporation in connection with the subscription of 240,578,861 Class B8 Shares at an aggregate subscription price of US\$306,160,659 by Jingdong Logistics Group Corporation;
- (v) a share subscription agreement dated May 28, 2018 and entered into between our Company and Montsoreau Investment Limited in connection with the subscription of 26,363,847 Class B9 Shares at an aggregate subscription price of US\$40,000,000 by Montsoreau Investment Limited;
- (vi) a cornerstone investment agreement dated October 16, 2019 entered into between our Company, OMERS Administration Corporation, Deutsche Securities Asia Limited, CLSA Capital Markets Limited and Morgan Stanley Asia Limited, pursuant to which OMERS Administration Corporation agreed to subscribe for such number of Offer Shares which upon completion of the Global Offering will represent nine (9) per cent of our Company's share capital (rounded down to the nearest whole board lot of 200 Shares) at the Offer Price; and
- (vii) the Hong Kong Underwriting Agreement.

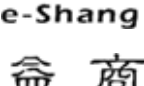
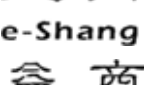
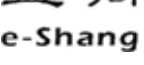
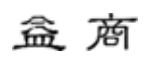
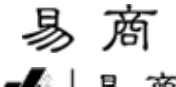
2. INTELLECTUAL PROPERTY RIGHTS OF OUR GROUP

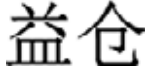
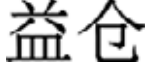
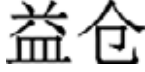
As of the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.

(i) *Trademarks*

As of the Latest Practicable Date, we have registered the following trademarks which are material to our business:

No.	Trademark	Registered owner	Class(es)	Place of registration	Registration number	Expiry Date
1.		Our Company	36, 37, 39	Australia	1903386	January 30, 2028
2.		Our Company	36, 39	South Korea	41-0393568	April 6, 2027

3.		Our Company	36, 39	South Korea	41-0393570	April 6, 2027
4.		Our Company	36, 39	Japan	5908540	December 22, 2026
5.		Our Company	36, 39	Japan	5906000	December 16, 2026
6.		Our Company	36	Singapore	40201611373R	July 15, 2026
						
7.		Our Company	36	Singapore	40201611376T	July 15, 2026
8.		Our Company	36	Hong Kong	303834478	July 11, 2026
9.		Our Company	36, 39	Hong Kong	303834351	July 11, 2026
10.		Our Company	39	Hong Kong	303834342	July 11, 2026
11.		Our Company	36	India	3837092	May 18, 2028
12.		Our Company	39	India	3837093	May 18, 2028
13.		Shanghai e-Shang Warehousing	39	PRC	20640090	September 13, 2028
14.		Shanghai e-Shang Warehousing	36	PRC	11145899	April 6, 2025
15.		Shanghai e-Shang Warehousing	37	PRC	11145900	April 6, 2025
16.		Shanghai e-Shang Warehousing	42	PRC	11145901	November 27, 2023
17.		Shanghai e-Shang Warehousing	39	PRC	11145835	March 20, 2024
18.		Shanghai e-Shang Warehousing	36	PRC	11753230	April 27, 2024
19.		Shanghai e-Shang Warehousing	39	PRC	11753229	July 20, 2025
20.		Shanghai e-Shang Warehousing	36	PRC	11753227	April 27, 2024
21.		Shanghai e-Shang Warehousing	37	PRC	11753225	July 20, 2025

22.		Shanghai e-Shang Warehousing	36	PRC	15585696	December 13, 2025
23.		Shanghai e-Shang Warehousing	39	PRC	15585836	December 13, 2025
24.		Shanghai e-Shang Warehousing	42	PRC	15585995	December 20, 2025
25.		Shanghai e-Shang Warehousing	36	PRC	16493461	April 27, 2026
26.		Shanghai e-Shang Warehousing	39	PRC	16493460	February 27, 2027
27.		Shanghai e-Shang Warehousing	36	PRC	16493459	June 20, 2026
28.		Shanghai e-Shang Warehousing	37	PRC	16493458	June 20, 2026
29.		Shanghai e-Shang Warehousing	36	PRC	18652778	January 27, 2027
30.		Shanghai e-Shang Warehousing	39	PRC	18652777	January 27, 2027
31.		Shanghai e-Shang Warehousing	39	PRC	24242565	February 27, 2029
32.		Shanghai e-Shang Warehousing	36	PRC	24242566	February 27, 2029

As of the Latest Practicable Date, we have applied for registration of the following trademarks which are material to our business:

No.	Trademark	Applicant	Class(es)	Place of registration	Application number	Application date
1.		Our Company	36, 39	Australia	1903384	January 30, 2018
2.		Our Company	36, 39	Australia	1903385	January 30, 2018
3.		Our Company	37	Australia	2034055	January 30, 2018
4.		Our Company	37	Australia	2034057	January 30, 2018
5.		Our Company	36, 39	Cayman Islands	T0000963	March 13, 2019
6.		Our Company	36, 39	Cayman Islands	T0000964	March 13, 2019
7.		Our Company	36	India	3837090	May 18, 2018
8.		Our Company	39	India	3837091	May 18, 2018

No.	Trademark	Applicant	Class(es)	Place of registration	Application number	Application date
9.		Our Company	35, 36	Singapore	40201980743R	September 24, 2019
10.		Our Company	35, 36	Singapore	40201920744Q	September 24, 2019

(ii) *Domain names*

As of the Latest Practicable Date, we have registered the following domain names which are material to our business:

No.	Domain name	Registered Owner	Date of Registration	Expiry Date
1.	esr.com	Shanghai e-Shang Warehousing	September 30, 1994	September 29, 2023
2.	e-shang.com.cn	Shanghai e-Shang Warehousing	May 13, 2011	May 13, 2023
3.	ciproperty.com.au	CIP	June 17, 2017	June 17, 2021

Save as disclosed above, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. DISCLOSURE OF INTERESTS

Save as disclosed below, immediately following completion of the Global Offering (assuming the Over-allotment Option and the Offer Size Adjustment Option are not exercised), so far as our Directors are aware, the interests or short positions of our Directors and the chief executives in any Shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which have been taken or deemed to have been taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Name of Director	Capacity/Nature of interest	Number of Shares and underlying Shares	Aggregate ownership percentage upon completion of the Global Offering (assuming the Over-allotment Option and the Offer Size Adjustment Option are not exercised)
Mr. Jinchu Shen ⁽¹⁾	Interest in a controlled corporation	285,758,717 ⁽²⁾	9.4%
Mr. Stuart Gibson ⁽³⁾	Interest in a controlled corporation	421,835,167 ⁽⁴⁾	13.9%
Mr. Charles Alexander Portes ⁽³⁾	Interest in a controlled corporation	421,835,167 ⁽⁴⁾	13.9%

Notes:

- (1) The relevant Shares are held by Laurels, which is wholly owned by The Shen Trust. In respect of The Shen Trust, the settlor is Rosy Fortune Limited (the sole shareholder of which is Mr. Jinchu Shen). Mr. Jinchu Shen has a deemed interest under the SFO in the Shares held by The Shen Trust solely in his capacity as the sole shareholder of the settlor of The Shen Trust.
- (2) Includes the interest in 3,899,928 Shares underlying the options pursuant to the Tier 1 ESOP.
- (3) Redwood Investor is owned as to 42.0% and 58.0% by Kurmasana Holdings, LLC and Redwood Investor (Cayman) Ltd, respectively, of which Kurmasana Holdings, LLC is wholly-owned by Redwood Investor (Cayman) Ltd and the voting rights of Redwood Investor (Cayman) Ltd. are controlled as to 50% and 50% by Mr. Charles Alexander Portes and Mr. Stuart Gibson, respectively. Hence, each of Mr. Charles Alexander Portes, Mr. Stuart Gibson, Redwood Investor (Cayman) Ltd and Kurmasana Holdings, LLC will be deemed to be interested in the Shares held by Redwood Investor. Redwood Consulting is owned as to 50.0% and 50.0% by Mr. Charles Alexander Portes and Mr. Stuart Gibson, respectively. Hence each of Mr. Charles Alexander Portes and Mr. Stuart Gibson are deemed to be interested in Shares held by Redwood Consulting.
- (4) Includes his interest in 16,899,687 Shares underlying the options pursuant to the Tier 1 ESOP.

2(a). SUBSTANTIAL SHAREHOLDERS

For information on the persons who will, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, please refer to the section headed “Substantial Shareholders” in this Prospectus.

Save as disclosed in the section headed “Substantial Shareholders” in this Prospectus, as of the Latest Practicable Date, our Directors are not aware of any person who will, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital

carrying rights to vote in all circumstances at general meetings of any member of our Group or have an option in respect of such capital.

2(b). INTERESTS IN OTHER MEMBERS OF OUR GROUP

So far as our Directors are aware, as at the Latest Practicable Date, the following persons (excluding us) are directly and indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of members of our Group:

Name of subsidiary	Name of shareholder	Approximate percentage of ownership
Chongqing Yongxiang Market Management Co., Ltd. (重慶永翔市場經營管理有限公司)	珠海融沁股權投資合夥企業(有限合夥)	50.0%
Zhuhai Siyi Investment Consulting Partnership Enterprise (Limited Partnership) (珠海思易投資諮詢合夥企業(有限合夥))	珠海融沁股權投資合夥企業(有限合夥) (作為有限合夥人)	50.0%
Alpha Offshore Holdings (HK) Limited	Shanghai Transwin Logistics Co., Ltd.	45.0%
ESR Funds Management (S) Limited	Shanghai Summit Pte. Ltd.	25.0%
Mingyue Logistics Pte Ltd	RCLF Guangzhou 1 Pte. Ltd.	35.0%
RW Higashi Pte. Ltd.	RJLF II GP Pte Ltd (held on behalf of Redwood Japan Logistics Fund II Limited Partnership, in its capacity as the GP)	30.0%
Beijing Zhongzi Construction Investment and Assembly Technology Co. Ltd. (北京中資建投裝配技術有限公司)	北京中資建投建築諮詢有限公司	30.0%
ABM Capital Limited	Ambition Mind Holdings Limited	10.0%
Indo Global Ranjangaon Infrastructure And Utility Services Pvt. Ltd.	Sanjiv Chamanlal Aurora	15.0%
	Manoj Nawalrai Hingorani	15.0%
Indo Global Infrastructures (Ranjangaon) Services Pvt. Ltd.	Sanjiv Chamanlal Aurora	14.3%
	Manoj Nawalrai Hingorani	14.3%
Xi'an Yihong Warehousing Services Co., Ltd. (西安易宏倉儲服務有限公司)	上海樓觀企業管理中心	15%
Shanghai Yurun Meat Food Co., Ltd. (上海雨潤肉食品有限公司)	嘉興易商股權投資合夥企業(有限合夥) (Jiaxing Yishang Equity Investment Partnership (Limited Partnership))	26%
Altamount Road Property Private Limited	Macrotech Developers Limited	41.0%
Gati Realtors Private Limited	Future Market Networks Limited	49%
Hong Kong FuJin Investment Co., Limited	Hong Kong Brightcity Investment Co., Limited	10%

3. DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service contract with us for an initial term of three years commencing from the Listing Date and shall continue thereafter unless terminated by not less than six months' written notice. The appointments of our executive Directors and non-executive Directors are also subject to the provisions of retirement and rotation of Directors under the Articles. The salary of each executive Director after each financial year is subject to adjustment as determined by the Remuneration Committee and approved by a majority of the members of the Board (excluding the Director whose salary is under review).

Each of our non-executive Directors and independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date unless terminated by one month's written notice. The appointments of our independent non-executive Directors are also subject to the provisions of retirement and rotation of Directors under the Articles. Pursuant to the terms of the letters of appointment, there will be no director's fee for our non-executive Directors and the intended annual director's fee payable to each of our independent non-executive Directors is no more than HK\$1 million.

Save for the director's fee mentioned above, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as disclosed above, none of our Directors has or will have a service contract with any member of our Group, other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

4. DIRECTORS' REMUNERATION

The remuneration of our Directors are paid in the form of salaries, allowances, employee benefits, discretionary bonuses, fees and retirement benefits. For more information, see the section headed "Directors and Senior Management—Remuneration of Directors and Senior Management" in this Prospectus.

5. FURTHER INFORMATION ABOUT MR. JOSEPH RAYMOND GAGNON

On March 20, 2012, Mr. Gagnon was appointed as a director of Titan Group Investment Limited ("TGIL"), a company incorporated in the BVI engaged in oil storage services, and a subsidiary of Titan Petrochemicals Group Limited, which is a company listed on the Hong Kong Stock Exchange (Stock Code: 1192), engaged in the business of supplying oil products and provision of bunker refueling services. At that time, TGIL was financially distressed, and Mr. Gagnon's role included seeking a means for restructuring the TGIL group for the benefit of its shareholders and creditors. On June 18, 2012, one of TGIL's shareholders made an application to the Eastern Caribbean Supreme Court of the British Virgin Islands for the appointment of liquidators to TGIL. On July 17, 2012, liquidators were appointed to TGIL as part of the restructuring. On July 4, 2012, Mr. Gagnon ceased to be a director of TGIL. On September 15, 2012 a consortium agreed to purchase substantially all of the assets of the TGIL group.

6. OTHER INTERESTS OF DIRECTORS

Two of our non-executive Directors are employees of Warburg Pincus X and its affiliates, which have other investments in the real-estate sector in APAC, some of which may have business overlaps and potentially compete with our Company. In connection with their employment, these non-executive Directors may hold directorships in such businesses. Details of the relevant non-executive Directors' directorships of potentially competing businesses as at the date of this Prospectus are as set out below. None of our Directors has an interest in any of the Company's primary competitors.

Both Mr. Joseph Raymond Gagnon and Mr. Jeffrey David Perlman, are non-executive directors of ARA Asset Management Holdings Pte. Ltd. ("ARA"). ARA is a real estate fund management and REIT manager. ARA or its affiliates are the REIT manager of Fortune REIT, listed on the Singapore

Stock Exchange (Stock Code: F25U) and on the Hong Kong Stock Exchange (Stock Code: 0778), Suntec REIT and Cache Logistics Trust, listed on the Singapore Stock Exchange (Stock Code: T82U), and Hui Xian REIT and Prosperity REIT, listed in Hong Kong (Stock Code: 0808). ARA is primarily focused on office and retail properties.

Mr. Gagnon is also a non-executive director of New Ease Cayman Investment Group (“**New Ease**”), D&J Industrial Real Estate Group Limited (“**Dongjiu**”) and Kailong Holdings Limited (“**Kailong**”). New Ease is engaged in the development and operation of industrial parks (including logistics) in airport locations and providing integrated infrastructure solutions. New Ease operates solely in the PRC and is focused on airport sites. Dongjiu is primarily engaged in the ownership, development and operation of business parks and industrial (primarily workshops) real-estate projects. Dongjiu operates solely in the PRC. Kailong is a real estate fund manager primarily focused on office real-estate projects. Kailong operates in PRC, Hong Kong and the UK.

7. DISCLAIMERS

Save as disclosed in this Prospectus as at the date of this Prospectus:

- (i) none of our Directors nor any of the persons listed in the sub-paragraph headed “E. Other information—7. Qualifications and consents of experts” in this section below:
 - (a) is interested, directly or indirectly, in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this Prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
 - (b) is materially interested in any contract or arrangement with our Group subsisting at the date of this Prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group; and
 - (c) has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (ii) none of our Directors are interested in any business apart from our Group’s business which compete or is likely to compete, directly or indirectly, with the business of our Group; and
- (iii) so far as is known to our Directors, none of our Directors or their associates or any Shareholder of our Company (which to the knowledge of our Directors owns 5% or more of the issued share capital of our Company) has any interest in any of the five largest customers of our Group.

D. KM ESOP, TIER 1 ESOP AND POST-IPO SHARE OPTION SCHEME**1. KM ESOP**

The following is a summary of the principal terms of the KM ESOP of the Company. The terms of the KM ESOP are not subject to the provisions of Chapter 17 of the Listing Rules.

(i) Purpose of the KM ESOP

The purpose of the KM ESOP is to incentivize or reward eligible participants for their contribution towards our Company's operations, so as to: (a) motivate and encourage recipients to continue to perform well; (b) to retain the services of recipients whose work is vital to the growth and continued success of our Company; and (c) to link the personal interests of members of the Board and the employees with those of the Shareholders.

(ii) Who may join

The Board may, at its discretion, grant an option to any director or employee of our Group, or any director or employee of any company which is under the control of our Company (an "**Eligible Person**").

(iii) Maximum number of shares

As of the date of the Prospectus, the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the KM ESOP at any time shall not exceed 63,558,343 Shares.

(iv) Administration

Unless otherwise permitted or authorized by our Board, the Board has full authority to administer the KM ESOP, including authority to interpret and construe any of its provisions and to adopt any regulations and any documents it thinks necessary or appropriate. The Board's decision on any matter connected with the KM ESOP will be final and binding on all parties.

(v) Term of the KM ESOP

The term of the KM ESOP will terminate on the tenth anniversary of the commencement date or at any earlier time determined by the Board. Termination of the KM ESOP will not affect options granted before termination.

(vi) Vesting Period

Subject to other conditions of the KM ESOP being satisfied, the options which have been granted shall be vested in accordance with the period as may be determined by our Board and set out in the vesting schedule in the KM ESOP.

(vii) Exercise Price

The Board will decide the option price which will be stated at the date of grant. The option price may be nil unless the shares subject to the option are to be subscribed, when the option price cannot be less than the nominal value of a share.

The total amount payable on the exercise of an option is the relevant option price multiplied by the number of shares in respect of which the option is exercised.

(viii) *Settlement methods*

In specified circumstances described in the paragraph headed “Exercise of Option” in this section below, in lieu of the participant paying the exercise price to exercise an option, the participant will receive a payment in cash equal to the value of the shares in respect of which the option is being exercised less the exercise price otherwise payable for those shares (“**Net Cash Settlement**”).

In specified circumstances described in the paragraph headed “Exercise of Option” in this section below, in lieu of the participant paying the exercise price, the participant will receive the greatest number of whole shares as determined by the formula set out in the KM ESOP (“**Net Share Settlement**”).

Apart from the Net Cash Settlement and Net Share Settlement arrangement, in specified circumstances described in the paragraph headed “Exercise of Option” in this section below, the participant can purchase the Shares at the option price as stated in the award certificate or such other document of the same nature.

(ix) *Conditions of exercise*

The Board may impose performance conditions before any option may vest. Any performance condition will be specified in the award certificate or other document issued by the Board to evidence the grant of an option. The extent to which any condition is met will be determined by the Board, whose decision will be final.

(x) *Exercise of option*

An option may be exercised in full or in part in accordance with the terms of the KM ESOP by delivering to the address of our Company a written notice of exercise giving at least 7 days’ notice in the prescribed form. The participant may also elect one of the following: (a) provide evidence to the satisfaction of our Company that it has received or will receive as soon as practicable payment in full of the Exercise Price for the aggregate number of Shares over which the option is to be exercised; or (b) deliver a written notice to our Company to confirm use of either the Net Share Settlement or Net Cash Settlement arrangement.

In certain circumstances, an option may be settled by a payment in cash to the participant.

(xi) *Non-transferability of the options*

Unless otherwise permitted by our Board or any person authorized by our Board, the options shall be personal to the participant and the participant shall not transfer, assign, charge or dispose of the options or any interest or rights in respect of it.

(xii) *Lapse of an option*

An option shall lapse automatically (to the extent not already exercised and subject always to the terms and conditions upon which the option was granted) on the earliest of:

- (a) the tenth anniversary of the date of grant;

- (b) the expiry of three months from the date on which the participant ceases to be an Eligible Person;
- (c) the date of expiry of any of the periods referred to in the paragraphs headed “Rights on Death, Retirement, Injury, Disability” and “Rights on Winding-Up” in this section below;
- (d) the date on which a Participant ceases to be an Eligible Person in any circumstances other than those referred to in the paragraphs headed “Rights on Death, Retirement, Injury, Disability” and “Effect of Dismissal or Ceasing Employment” in this section below;
- (e) subject to the paragraph headed “Rights on Winding-Up” in this section below, the passing of an effective resolution for the voluntary winding-up of the Company (except where the winding-up is for the purpose of a reconstruction or amalgamation);
- (f) subject to the paragraph headed “Rights on Winding-Up” below, the expiry of one month following the making of an order by the court for the winding-up of the Company (except where the winding-up is for the purpose of a reconstruction or amalgamation);
- (g) the participant being declared bankrupt;
- (h) the participant transferring, assigning, charging or otherwise disposing of the options unless in breach of the terms of the KM ESOP;
- (i) as soon as any condition of exercise imposed can no longer in the opinion of the Board be met; or
- (j) the participant, who is a Shareholder: (A) being deemed unable or admits inability to pay its debts as they fall due; or (B) there has been a material breach of the provisions of the Articles by the participant which is not capable of remedy, or which is capable of remedy but is not remedied within 30 days after the occurrence of such material breach.

(xiii) ***Rights on Death, Retirement, Injury, Disability***

If the participant ceases to be an employee by reason of his death, the options may be exercised by his personal representatives within twelve months from the date of death.

If the participant ceases to be an employee by reason of his injury, ill-health or disability, the options may be exercised, to the extent it is vested, within six months from the date of cessation of employment.

(xiv) ***Effect of dismissal or ceasing employment***

If a participant’s employment with our Company or any member of our Group is terminated by way of: (a) his voluntary resignation within three months from the date of grant; (b) fundamental breach of his employment agreement or a material breach of his non-disclosure undertaking; or (c) his serious misconduct, the option will lapse and cease to be exercisable immediately.

If a participant ceases to be employed by our Company by reason of redundancy or dismissal other than by summary dismissal, the option may be exercised to the extent that it is vested within three months from the date of cessation of employment.

(xv) ***Rights on winding-up***

If a notice is given by our Company to its shareholders to convene a general meeting for the purposes of considering or approving a resolution to voluntarily wind-up our Company, to the extent that an option is vested, it may be exercised at any time to the extent that it is vested, before the relevant resolution has been passed or defeated or the meeting adjourned indefinitely, conditionally on the resolution being passed. If our Company is wound up by the court, to the extent that an option is vested and permissible by law, it may be exercised within one month of the winding-up order and will then lapse. This sub-clause does not apply if the winding-up is for the purpose of a reconstruction or amalgamation

(xvi) ***Rights on reorganization or merger***

If there is any variation of equity share capital in relation to: (a) an issue of Shares by way of dividend, distribution or capitalization of profits or reserves, an offer or invitation made by way of rights, a subdivision, consolidation, return, reduction; or (b) any other variation of the Company's share capital, consolidation, amalgamation or merger of our Company, the Board may adjust the terms of the KM ESOP or the option price for outstanding options with effect from the date of the relevant event, so that the value of the shares subject to the options is equal to the value of those shares immediately before the occurrence of the event; and the exercise price payable to exercise an option will be the same as that immediately before the occurrence of the event.

(xvii) ***Board's power to amend the KM ESOP***

The Board can at any time amend any of the provisions of the KM ESOP in any respect, subject to the requirement that no amendment that would abrogate or materially affect adversely the subsisting rights of a participant can be made without the written consent of, or by a resolution passed by, a meeting of participants who hold options to acquire 75% of the shares which would be delivered if all of the options granted and subsisting under the KM ESOP were exercised.

(xviii) ***Outstanding options granted under the KM ESOP***

As of the Latest Practicable Date, options to subscribe for an aggregate of 63,558,343 Shares, representing approximately 2.09% of the total number of Shares in issue immediately after completion of the Global Offering, assuming that (a) the Offer Size Adjustment Option has not been exercised; (b) the incentivization arrangements related to Laurels and Mr. Jinchu Shen are settled entirely with the transfer of Shares; (c) the Offer Price is determined to be HK\$16.80, being the mid-point of the Offer Price range; and (d) the Listing Date is November 1, 2019, are outstanding. If all the options granted under the KM ESOP are exercised, there would be a dilution effect on our Shareholders of approximately 2.05% but there will not be any material impact on the earnings per Share.

As of the Latest Practicable Date, none of the options granted under the KM ESOP (regardless of PRC or non-PRC grantees) has been exercised. No further options will be issued under the KM ESOP after the date of this Prospectus.

We have applied for, and have been granted an exemption from the SFC from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up And Miscellaneous Provisions) Ordinance, and a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of and

paragraph 27 of Appendix 1A to the Listing Rules in connection with the information of the options granted under the KM ESOP. For further details, please refer to the section headed “Waivers and Consent from Strict Compliance with the Listing Rules and Exemptions from Companies (Winding Up and Miscellaneous Provisions) Ordinance—Waiver and Exemption in relation to the KM ESOP” in this Prospectus.

The options have been granted based on the performance of the option holders who have made important contributions to and are important to the long term growth and profitability of our Group.

As of the Latest Practicable Date, there were 163 option holders, comprising one senior management of our Company and 162 other employees, who are not directors, connected persons or senior management of our Company, of which (a) three employees have been granted options to subscribe for 3,000,000 Shares or more; (b) 18 employees have been granted options to subscribe for 1,000,001 to 3,000,000 Shares; and the remaining 141 employees have been granted options to subscribe for 1,000,000 Shares or less.

(a) Senior management of our Company

Details of the options granted under the KM ESOP as of the Latest Practicable Date to the senior management of our Company are set out below:

Name of participant	Position held with our Group	Address	Exercise Price	Number of Shares underlying the outstanding options under the KM ESOP	Date of Grant ⁽¹⁾	Consideration Paid	Vesting Period	Aggregate ownership percentage upon completion of the Global Offering ⁽²⁾
Senior management of our Company								
Mr. Wee Peng Cho	Group Chief Financial Officer	5A Balmoral Park #09-02, Singapore 259829	US\$0.9445	4,652,000	January 2018	Nil	January 1, 2018 (30%) December 18, 2018 (23.33%) December 18, 2019 (23.33%) December 18, 2020 (23.33%) 4 years from the date of grant	0.15%
			US\$1.5172	65,910	February 2018	Nil		0.0%
Subtotal:				<u>4,717,910</u>				<u>0.15%</u>

Notes:

- (1) The options may only be exercised after Listing, in accordance with the procedures set out in the subsection headed “—(x) Exercise of option” above, and subject to the options not having lapsed as a result of the events set out in the subsection headed “—(xii) Lapse of an option” above.
- (2) This is calculated based on the assumption that (a) the Offer Size Adjustment Option has not been exercised; (b) the incentivization arrangements related to Laurels and Mr. Jinchu Shen are settled entirely with the transfer of Shares; (c) the Offer Price is determined to be HK\$16.80, being the mid-point of the Offer Price range; and (d) the Listing Date is November 1, 2019.

(b) Other grantees who have been granted options to subscribe for 3,000,000 Shares or more

As of the Latest Practicable Date, there are three option holders (other than the senior management of our Company) who have been granted options to subscribe for 3,000,000 Shares or more under the KM ESOP, representing approximately 0.37% of the total number of Shares in issue immediately after completion of the Global Offering, assuming that (a) the Offer Size Adjustment

Option has not been exercised; (b) the incentivization arrangements related to Laurels and Mr. Jinchu Shen are settled entirely with the transfer of Shares; (c) the Offer Price is determined to be HK\$16.80, being the mid-point of the Offer Price range; and (d) the Listing Date is November 1, 2019.

Details of the options granted to option holders to subscribe for 3,000,000 Shares or more under the KM ESOP as of the Latest Practicable Date are set out below:

Name of participant	Position held with our Group	Address	Exercise Price	Number of Shares underlying the outstanding options under the KM ESOP	Date of Grant ⁽¹⁾	Consideration Paid	Vesting Period	Aggregate ownership percentage upon completion of the Global Offering ⁽²⁾
Ms. Sun Dongying	Senior vice president, PRC	Flat A, 31/F, Block 6, Vision City, 1 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong	US\$0.4722	2,541,296	December 2017	Nil	All vested	0.08%
			US\$0.9445	1,429,328	December 2017	Nil	July 1, 2018 (25%) July 1, 2019 (25%) July 1, 2020 (25%) July 1, 2021 (25%)	0.05%
Mr. Zhou Bo	Chief Operating Officer, PRC	Room 3403, Building 17, Laoximen Xin Yuan, Shanghai, the PRC	US\$0.4722	1,482,423	December 2017	Nil	December 12, 2017 (25%) July 1, 2018 (25%) July 1, 2019 (25%) July 1, 2020 (25%)	0.05%
			US\$0.9445	1,588,142	December 2017	Nil	July 1, 2018 (25%) July 1, 2019 (25%) July 1, 2020 (25%) July 1, 2021 (25%)	0.05%
Ms. Wang Anyi .	Former Chief Financial Officer	Flat A, 23F, Tower 3, Phase 2, Bel Air, 38 Bel Air Avenue, Island South, Hong Kong	US\$0.2520	4,189,286	February 2014	Nil	All vested	0.14%

Notes:

- (1) The options may only be exercised after Listing, in accordance with the procedures set out in the subsection headed “—(x) Exercise of option” above, and subject to the options not having lapsed as a result of the events set out in the subsection headed “—(xii) Lapse of an option” above.
- (2) This is calculated based on the assumption that (a) the Offer Size Adjustment Option has not been exercised; (b) the incentivization arrangements related to Laurels and Mr. Jinchu Shen are settled entirely with the transfer of Shares; (c) the Offer Price is determined to be HK\$16.80, being the mid-point of the Offer Price range; and (d) the Listing Date is November 1, 2019.

(c) Other grantees

As of the Latest Practicable Date, there are (i) 18 options holders who have been granted options to subscribe for 1,000,001 to 3,000,000 Shares; and (ii) 141 option holders who have been granted options to subscribe for 1,000,000 Shares or less under the KM ESOP, representing approximately 0.97% and 0.60%, respectively, of the total number of Shares in issue immediately after completion of the Global Offering, assuming that (a) the Offer Size Adjustment Option has not been exercised; (b) the incentivization arrangements related to Laurels and Mr. Jinchu Shen are settled entirely with the transfer of Shares; (c) the Offer Price is determined to be HK\$16.80, being the mid-point of the Offer Price range; and (d) the Listing Date is November 1, 2019.

Details of the options granted to option holders to subscribe for (i) 1,000,001 to 3,000,000 Shares and (ii) 1,000,000 Shares or less under the KM ESOP as of the Latest Practicable Date are set out below:

Participants	Exercise Price	Number of Shares underlying the outstanding options under the KM ESOP	Date of Grant ⁽¹⁾	Consideration Paid	Vesting Period	Aggregate ownership percentage upon completion of the Global Offering ⁽²⁾
Option holders to subscribe for 1,000,001 to 3,000,000 Shares	US\$0.4722 to US\$1.5172	29,353,405	December 2017 to February 2019	Nil	Varies from 3 to 4 years from the date of grant	0.97%
Option holders to subscribe for 1,000,000 Shares or less	US\$0.4722 to US\$1.5172	18,256,553	December 2017 to February 2019	Nil	Varies from 3 to 4 years from the date of grant	0.60%

Notes:

- (1) The options may only be exercised after Listing, in accordance with the procedures set out in the subsection headed “—(x) Exercise of option” above, and subject to the options not having lapsed as a result of the events set out in the subsection headed “—(xii) Lapse of an option” above.
- (2) This is calculated based on the assumption that (a) the Offer Size Adjustment Option has not been exercised; (b) the incentivization arrangements related to Laurels and Mr. Jinchu Shen are settled entirely with the transfer of Shares; (c) the Offer Price is determined to be HK\$16.80, being the mid-point of the Offer Price range; and (d) the Listing Date is November 1, 2019.

2. TIER 1 ESOP

The following is a summary of the principal terms of the Tier 1 ESOP of our Company adopted by our Board pursuant to the Pre-IPO Shareholders’ Agreement. The terms of the Tier 1 ESOP are not subject to the provisions of Chapter 17 of the Listing Rules.

(i) *Purpose of the Tier 1 ESOP*

The Tier 1 ESOP is intended to provide our Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to selected participants. By aligning the interests of selected participants with those of the Shareholders, participants will be encouraged and motivated to continue their efforts towards enhancing the value of our Company.

(ii) *Selected participants to the Tier 1 ESOP*

Selected participants to the Tier 1 ESOP are WP OCIM, Laurels, and Redwood Consulting (Cayman) Limited (“**Redwood Consulting**”).

(iii) *Administration*

The Board has full authority to administer the Tier 1 ESOP, including authority to interpret and construe any of its provisions and to adopt any regulations and any documents it thinks necessary or appropriate. The Board’s decision on any matter connected with the Tier 1 ESOP will be final and binding on all parties.

(iv) *Term of the Tier 1 ESOP*

The Tier 1 ESOP will not be terminated while options are outstanding.

(v) *Exercise price*

The Exercise Price is US\$0.46 per option.

(vi) *Straight-line vesting*

36.91% of the options (the “**Vested Percentage**”) vested on the date of grant, and the remainder of the options vest daily on a straight line basis from December 7, 2017 until January 20, 2021 (the “**Vesting Period**”).

(vii) *Conditions of exercise*

Conditions are attached to the grant of the options to each participant, which contain specific conditions in the event of a default or other leaver event which apply to the particular participant.

Unless otherwise permitted by the Board or as set out in the specific terms applicable to the option, the options shall not, nor may any rights in respect of it, be transferred, assigned, charged or otherwise disposed of to any person.

(viii) *Vesting events*

If the following events occur, the options will vest in full:

- (a) a strategic competitor acquires more than 29% of the fully diluted share capital or becomes the largest shareholder in our Company;
- (b) except where a successor company obtains control and exchanges the options under Tier 1 ESOP for new options on economically equivalent terms, any person obtains control of our Company (i.e. acquires the right to exercise more than 50% of the controlling rights in our Company);
- (c) there is a sale of all or substantially all of the shares in our Company by way of a trade sale or by way of a sale to a third party;
- (d) there is a disposal by one or more transactions of all or substantially all of the business of our Company;
- (e) there is a sale of all or substantially all of the shares in a project company or member of our Group to which a senior manager provides services or by which a senior manager is employed, as appropriate, by way of trade sale or by way of sale to a third party or there is a disposal of all or substantially all of the business of the project company or a member of our Group to which a senior manager provides services or by which the relevant senior manager is employed; or
- (f) there is a solvent winding-up of our Company.

(ix) *Lapse of an option*

Subject to the date specified in any specific conditions to which the option is subject, an option will lapse to the extent not exercised on the earliest of the following:

- (a) the tenth anniversary of January 20, 2016, being the completion date of the 2016 Merger;

- (b) the expiry of six months following the occurrence of the date on which a court sanctions a compromise or arrangement between our Company and its Shareholders which permits exercise of the option;
- (c) the passing of an effective resolution for the voluntary winding-up of our Company (except where the winding-up is for the purpose of a reconstruction or amalgamation or other specified situation);
- (d) the expiry of one month following the making of an order by the court for the winding-up of our Company (except where the winding-up is for the purpose of a reconstruction or amalgamation or other specified situation);
- (e) the participant being deprived of the legal or beneficial ownership of the option by operation of law, or doing or omitting to do anything which causes the participant to be so deprived or being declared bankrupt; or
- (f) the participant having breached transfer the restrictions on transfer contained in the Tier 1 ESOP.

In relation to the options granted to Laurels (the “**Laurels Options**”) and in relation to the options granted to Redwood Consulting (the “**Redwood Options**”), if during the Vesting the relevant directors or employees of the Group (in each case the “**Relevant Employee**”):

- (a) resigns within 3 years of the date of grant of the Laurels Options or the part of the Redwood Options which are attributed to the relevant Director (the “**Relevant Options**”) or ceases to be employed other than in circumstances specified below, the relevant option holder will retain the Relevant Options to the extent vested as at the date of termination;
- (b) is dismissed for cause, or other specified events occur (including breaches of their relevant service agreements), the Relevant Options will be forfeited to the extent unexercised with certain exceptions;
- (c) ceases to be employed due to dismissal without cause, the Relevant Options will vest in full.

(x) ***Rights on death or ill-health***

If the Relevant Employee dies or ceases to be employed by our Company or its affiliates due to ill health, the Relevant Options that are vested as at the date of cessation may be exercised.

(xi) ***Rights on a compromise or arrangement***

If the court sanctions a compromise or arrangement between our Company and its Shareholders, provided an option is not to be exercised under the paragraph headed “Rights on Reorganization or Merger” in this section below, the option can be exercised up to 20 days before and during the period of six months commencing on the date when the court sanctions the compromise or arrangement.

(xii) ***Rights on winding up***

If a notice is given by our Company to its to convene a general meeting for the purposes of considering or approving a resolution to voluntarily wind-up our Company, to the extent that an option

is vested, it may be exercised at any time to the extent that it is vested, before the relevant resolution has been passed or defeated or the meeting adjourned indefinitely, conditionally on the resolution being passed. If our Company is wound up by the court, to the extent that an option is vested and exercise is permissible by law, it may be exercised within one month of the winding-up order and will then lapse. This sub-clause does not apply if the winding-up is for the purpose of a reconstruction or amalgamation.

(xiii) ***Rights on reorganization or merger***

If there is a variation in equity share capital of our Company or upon any consolidation, amalgamation or merger of our Company, the Board may adjust the terms of the Tier 1 ESOP or the option price for outstanding options with effect from the date of the relevant event, so that the value of the shares subject to the options is equal to the value of those shares immediately before the occurrence of the event; and the exercise price payable to exercise an option will be the same as that immediately before the occurrence of the event. No such adjustment can reduce the option price to less than the nominal value of a Share.

(xiv) ***Outstanding options granted under the Tier 1 ESOP***

In September 2018, Redwood Consulting exercised a portion of its options under the Tier 1 ESOP, pursuant to an exercise option letter dated September 7, 2018, and nominated that 13,838,797 Class B4 Shares and 18,633,334 Class B4 Shares be allotted to WP OCIM and SK, respectively, pursuant to sale and purchase agreements dated September 7, 2018 and September 14, 2018, respectively. For further details, please refer to the section headed “History, Development and Corporate Structure—Major Shareholding Changes of our Company” in this Prospectus.

As of the Latest Practicable Date, options to subscribe for an aggregate of 67,596,595 Shares, representing approximately 2.2% of the issued shares of our Company immediately following the completion of the Global Offering, are outstanding, as further described in the table below.

No further options will be issued under the Tier 1 ESOP after the date of the Prospectus.

The options have been granted based on the performance of the option holders who have made important contributions to and are important to the long term growth and profitability of our Group.

As of the Latest Practicable Date, there were three option holders. Details of the options granted under the Tier 1 ESOP as of the Latest Practicable Date are set out below:

Name of participant	Address	Exercise Price	Number of Shares underlying the options under the Tier 1 ESOP outstanding	Date of grant	Vesting Period	Aggregate percentage of shareholding upon completion of the Global Offering
WP OCIM	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware, 19801, United States	US\$0.46	15,800,325	April 20, 2017	The Vested Percentage of the grant vested on the date of the grant, and the remaining options vest daily on a straight line basis from December 7, 2017 to January 20, 2021	0.5%
Laurels	P.O. Box 3340, Road Town, Tortola, British Virgin Islands	US\$0.46	15,800,325	April 20, 2017	As above	0.5%
Redwood Consulting (Cayman) Limited	Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005 Cayman Islands	US\$0.46	35,995,945	April 20, 2017	As above	1.2%
Total:			67,596,598			2.2%

Under the terms of the IPO Implementation Deed, the holders of the Tier 1 ESOP have agreed to the Tier 1 Exercise.

As of the Listing Date, assuming the Offer Price is determined to be HK\$16.80, the mid-point of the Offer Price range, and the Listing Date is Friday, November 1, 2019:

	Tier 1 ESOP						
	Immediately prior to the Tier 1 Exercise			Immediately after the Tier 1 Exercise			
	Vested	Unvested	Total Options	Vested	Unvested	Total Options	Shares issued pursuant to the Tier 1 Exercise ⁽¹⁾
WP OCIM	11,900,397	3,899,928	15,800,325	0	3,899,928	3,899,928	0
Laurels	11,900,397	3,899,928	15,800,325	0	3,899,928	3,899,928	3,450,861
Redwood Consulting (Cayman) Limited	19,096,258	16,899,687	35,995,945	0	16,899,687	16,899,687	15,001,945

Note:

(1) Taking into account agreements related to the ESOP Unwind and the Incentivization Unwind.

3. POST-IPO SHARE OPTION SCHEME

The following is a summary of the principal terms of the Post-IPO Share Option Scheme conditionally adopted by the resolutions of our Shareholders passed at an extraordinary general meeting held on October 12, 2019.

(i) *Purpose of the Post-IPO Share Option Scheme*

The purpose of the Scheme is to provide incentives to participants to contribute to the Company and to enable the Company to recruit high caliber employees and attract or retain human resources that are valuable to the Group.

(ii) *Selected participants to the Post-IPO Share Option Scheme*

Any individual, being an employee, executive Director and non-executive Director (including independent non-executive Director), agent or consultant of our Company or its subsidiary who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to our Group is entitled to be granted options. However, no individual who is resident in a place where the grant, acceptance or exercise of options pursuant to the Post-IPO Share Option Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, is eligible to be offered or granted options.

(iii) *Maximum number of shares*

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme is 303,658,464, being no more than 10% of the Shares in issue on completion of the Global Offering (the “**Option Scheme Mandate Limit**”). Options which have lapsed in accordance with the terms of the rules of the Post-IPO Share Option Scheme (or any other share option schemes of our Company) shall not be counted for the purpose of calculating the Option Scheme Mandate Limit.

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of our Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time (the “**Option Scheme Limit**”). No options may be granted under any schemes of our Company (or its subsidiaries) if this will result in the Option Scheme Limit being exceeded.

The Option Scheme Mandate Limit may be refreshed at any time by obtaining prior approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the refreshed Option Scheme Mandate Limit cannot exceed 10% of the Shares in issue as of the date of such approval. Options previously granted under the Post-IPO Share Option Scheme and any other share option schemes of our Company (and to which provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, canceled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the refreshed Option Scheme Mandate Limit.

Our Company may also grant options in excess of the Option Scheme Mandate Limit, provided such grant is to specifically identified selected participant and is first approved by Shareholders in general meeting.

(iv) *Maximum entitlement of a grantee*

Unless approved by our Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Company to each selected participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue (the “**Individual Limit**”). Any grant of options to a selected participant which would result in the aggregate number of Shares issued and to be issued upon exercise of all options granted and to be granted to such selected participant (including exercised, canceled and outstanding options) in the 12 month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of our Shareholders (with such selected participant and his associates abstaining from voting).

(v) *Performance target*

The Post-IPO Share Option Scheme does not set out any performance targets that must be achieved before the options may be exercised. However, the Board or its delegate(s) may at their sole discretion specify, as part of the terms and conditions of any option, such performance conditions that must be satisfied before the option can be exercised.

(vi) *Subscription price*

The amount payable for each Share to be subscribed for under an option (“**Subscription Price**”) in the event of the option being exercised shall be determined by the Board but shall be not less than the greatest of:

- (a) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;
- (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
- (c) the nominal value of the Shares.

(vii) *Rights are personal to grantee*

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any Option, except for the nominating a nominee to hold the Shares to be issued pursuant to the exercise of the Options on trust for the sole benefit of such grantee in accordance with the terms of the Post-IPO Share Option Scheme.

(viii) *Options granted to Directors or substantial shareholders of our Company*

Each grant of options to any Director, chief executive or substantial shareholder of our Company (or any of their respective associates) must first be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of options).

Where any grant of options to a substantial shareholder or an independent non-executive Director of our Company (or any of their respective associates) would result in the number of Shares

issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, canceled and outstanding) to the person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1% (or any other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK\$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange),

such further grant of options must also be first approved by the Shareholders (voting by way of poll) in a general meeting. In obtaining the approval, our Company shall send a circular to the Shareholders in accordance with and containing such information as is required under the Listing Rules. All connected persons of our Company shall abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

(ix) *Grant of options*

An offer of the grant of an option shall be made to a participant by letter or in such form as the Board may from time to time determine specifying the number of Shares, the subscription price, any condition (including but not limited to imposition of any performance target(s) and/or vesting scale), the Period in respect of which the offer is made, the date by which the option must be applied for being a date not more than 28 days after the offer date (the “**Acceptance Date**”) and further requiring the Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the scheme. Such offer shall be personal to the participant concerned and shall not be transferable.

An option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter or such other form constituting acceptance of the offer of the grant of the option duly signed by the Grantee together with a remittance in favor of the Company of HK\$1.00 (or such equivalent in other currency as the Board may specify) by way of consideration for the grant thereof is received by the Company on or before the relevant Acceptance Date.

Any offer may be accepted in respect of less than the number of options for which it is offered provided that it is accepted in respect of options representing Shares constituting a board lot for dealing in Shares or a multiple thereof. To the extent that the offer is not accepted within 20 business days from the date on which the letter containing the offer is delivered to that selected participant, it shall be deemed to have been irrevocably declined.

(x) *Restriction of grant of options*

No offer shall be made and no option shall be granted to any selected participant in circumstances prohibited by the Listing Rules or at a time when the selected participant would or might be prohibited from dealing in Shares by the Listing Rules or by any applicable rules, regulations or law. No offer shall be made and no option shall be granted to any selected participant where such person is in possession of any unpublished inside information in relation to our Company until such

inside information has been published in an announcement in accordance with the Listing Rules. Furthermore, no offer shall be made and no option shall be granted:

- (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (b) during the period of 30 days immediately preceding the publication date of the half-year results or, if shorter, the period from the end of the relevant half-year period up to the publication date of the results.

Such period will also cover any period of delay in the publication of any results announcement.

(xi) *Time of exercise of an option*

An option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to our Company in such form as the Board may from time to time determine stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

(xii) *Cancellation of options*

Any breaches of the rules of the Post-IPO Share Option Scheme by a grantee may result in the options granted to such grantee being cancelled by our Company. Any options granted but not exercised may be canceled with approval of the Board. Issuance of new options to the same grantee may only be made if there are unissued options available under the Post-IPO Share Option Scheme (excluding the canceled options) and in compliance with the terms of the Post-IPO Share Option Scheme.

(xiii) *Lapse of option*

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (a) the expiry of the period within which an option may be exercised, which is to be determined and notified by the Board to each grantee at the time of making an offer, and shall not expire later than ten years from the date of grant (the “**Option Period**”);
- (b) the expiry of any of the periods for exercising the option as referred to in paragraph (ix) above;
- (c) the date of commencement of the winding-up of our Company (as determined in accordance with the Companies Ordinance or the Companies Law) or such other applicable law in the jurisdiction in which the winding-up takes place;
- (d) the date on which the participant ceases to be an employee, director, agent or consultant of our Company or any subsidiary by reason of the termination of his employment, office, agency or consultancy on any of the following grounds: that he has been guilty of serious misconduct; that he has been convicted of any criminal offense involving his integrity or honesty; or on any other grounds on which an employer or principal would be entitled to summarily terminate his employment, office, agency or consultancy at common law or pursuant to any applicable laws or under the participant’s service contract, terms of office, agency or consultancy agreement or arrangement with the Company or the relevant subsidiary;

- (e) the date on which the grantee ceases to be a participant on or after becoming bankrupt or insolvent or making any arrangements or composition with his creditors generally; or
- (f) the date on which the participant commits a breach of the rules of the Post-IPO Share Option Scheme.

(xiv) ***Voting and dividend rights***

No dividends shall be payable and no voting rights shall be exercisable in relation to any options or Shares that are the subject of options that have not been exercised.

(xv) ***Effects of alterations in the capital structure of the company***

In the event of an alteration in the capital structure of our Company whilst any option remains exercisable by way of capitalization of profits or reserves, rights issue, subdivision or consolidation of shares, or reduction of the share capital of our Company in accordance with legal requirements or requirements of the Stock Exchange (other than any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in a transaction to which our Company is a party), such corresponding alterations (if any) shall be made to:

- (a) the number or nominal amount of Shares comprised in each unexercised option; and/or
- (b) the aggregate number of Shares subject to outstanding options; and/or
- (c) the subscription price,

as the auditors or a financial adviser engaged by our Company for such purpose shall certify in writing to the Board that the adjustments satisfy the requirements set out in Rule 17.03(13) of the Listing Rules or otherwise comply with the Listing Rules or other rules, practices or directions of the Stock Exchange in effect from time to time (other than any adjustment made on a capitalization issue, in which case such adjustment shall be made as the Board shall consider to be in its opinion fair and reasonable). Subject to the foregoing, any adjustment shall be made on the basis that each grantee shall have the same proportion of the equity capital of our Company as that to which that grantee was previously entitled prior to such adjustments, and no adjustments shall be made which will enable a Share to be issued at less than its nominal value. The capacity of the auditors or financial adviser (as the case may be) is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the grantees. The costs of the auditors or financial advisor (as the case may be) shall be borne by our Company.

(xvi) ***Death or cessation of employment of a selected participant***

If a grantee ceases to be selected participant for any reason other than his death or the termination of his employment, office, agency or consultancy on one or more of the grounds specified in paragraph (xiii)(d) above, the grantee may exercise the option up to his entitlement at the date of cessation of his employment or office, agency or consultancy (to the extent not already exercised) within the period of one month following the date of such cessation, which date shall be the last actual working day of his employment, office, agency or consultancy with the Company or the relevant subsidiary whether payment in lieu of notice is made or not (if applicable).

If a grantee ceases to be selected participant by reason of death, and none of the events which would be a ground for termination of his employment or office, agency or consultancy under an event

as described on paragraph (xiii)(d) above has occurred, the legal personal representative(s) of the grantee shall be entitled within a period of 12 months from the date of death (or such longer period as the Board may determine) to exercise the option in full (to the extent not already exercised).

(xvii) ***Rights on takeover and schemes of compromise or arrangement***

If a general offer by way of takeover is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), and the offer becomes or is declared unconditional in all respects, the grantee shall be entitled to exercise the option (to the extent not already exercised) at any time within one month (or such other period as the Board or its delegate(s) may decide in their sole discretion) after the date on which the offer becomes or is declared unconditional. If the option is not exercised within the time specified, the option shall lapse.

If a compromise or arrangement between our Company and its members or creditors is proposed, our Company shall give notice to the grantee on the same date as it dispatches the notice to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his personal representatives) may until the expiry of the period commencing with such date and ending with earlier of the date two calendar months thereafter or the date on which such compromise or arrangement is sanctioned by the court exercise any of his options (to the extent not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective, and upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Post-IPO Share Option Scheme. Our Company may require the grantee to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position, as nearly as possible, as would have been the case had such Shares been subject to such compromise or arrangement. If the option is not exercised within the time specified, the option shall lapse.

(xviii) ***Rights on a voluntary winding up***

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall give notice (“**winding-up notice**”) to all grantees on the same day as the passing of the resolution or order. The grantee (or his legal personal representative(s)) may by notice in writing to the Company within 21 days after the date of the winding-up notice elect to be treated as if the option (to the extent not already exercised) had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in the Grantee’s notice, such notice to be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon the grantee will be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of Shares such sum as would have been received in respect of the Shares the subject of such election

(xix) ***Duration***

The Post-IPO Share Option Scheme shall be valid and effective for the period of 10 years commencing on the date of adoption of the Post-IPO Share Option Scheme (after which, no further options shall be offered or granted under the Post-IPO Share Option Scheme), but in all other respects

the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the rules of the Post-IPO Share Option Scheme.

(xx) ***Alteration of the Post-IPO Share Option Scheme***

The Post-IPO Share Option Scheme may be altered in any respect by resolution of the Board except that any alteration to the advantage of the grantees or the participants in respect of matters contained in Rule 17.03 of the Listing Rules; and any material alteration to the terms and conditions of the scheme or any change to the terms of options granted (save where the alterations take effect automatically under the existing terms of the scheme) shall be subject to the approval of the shareholders of our Company in general meeting, provided that no such alteration shall operate to adversely affect the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the shareholders of the Company under the Regulations for the time being of the Company for a variation of the rights attached to the Shares. After any alteration, the amended terms of the Scheme must comply with Chapter 17 of the Listing Rules.

Any change to the authority of the Board in relation to any alteration to the terms of the Scheme shall be subject to the approval of the shareholders of the Company in general meeting.

(xxi) ***Termination***

Our Company by resolution in general meeting or the Board may at any time terminate the scheme and in such event no further options will be offered but the provisions of the Post-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Scheme. All options granted prior to such termination but not yet exercised at the time of such termination shall continue to be valid and exercisable in accordance with the terms of the Post-IPO Share Option Scheme.

E. OTHER INFORMATION

1. LITIGATION

As of the Latest Practicable Date, save as disclosed in the section headed “Business–Compliance and Legal Proceedings” in this Prospectus, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against our Group, that would have a material adverse effect on our business, finance condition or results of operations.

2. JOINT SPONSORS

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors will receive an aggregate fee of US\$500,000 for acting as the sponsors for the Listing.

3. PRELIMINARY EXPENSES

The preliminary expenses relating to the incorporation of our Company were approximately US\$25,821 and have been paid by our Company.

4. NO MATERIAL ADVERSE CHANGE

Save as disclosed in this Prospectus, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since June 30, 2019 (being the date to which the latest audited combined financial statements of our Group were prepared), save as disclosed in the section headed “Summary—Recent Developments” in this Prospectus.

5. PROMOTER

Our Company has no promoter for the purpose of the Listing Rules. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this Prospectus within the two years immediately preceding the date of this Prospectus.

6. TAXATION OF HOLDERS OF SHARES**(i) *Hong Kong***

The sale, purchase and transfer of Shares registered with our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(ii) *Cayman Islands*

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of Shares, as long as our Company does not hold any interests in land in the Cayman Islands.

(iii) *Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

7. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this Prospectus:

<u>Name</u>	<u>Qualifications</u>
Deutsche Securities Asia Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) of regulated activities under the SFO
CLSA Capital Markets Limited	Licensed to conduct type 4 (advising on securities) and type 6 (advising on corporate finance) of regulated activities under the SFO
Ernst & Young	Certified Public Accountants
KPMG	Certified Public Accountants
Bentleys Brisbane Partnership	Certified Public Accountants
Global Law Office	Legal advisers as to PRC law to our Company
Walkers (Hong Kong)	Cayman Islands attorney-at-law
Beijing Colliers International Real Estate Valuation Co., Ltd.	Property valuer
Cushman & Wakefield K.K.	Property valuer
CBRE Limited	Property valuer
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property valuer
Jones Lang LaSalle Limited	Industry consultant

Each of the experts named above has given and has not withdrawn its consent to the issue of this Prospectus with the inclusion or reproduction of its report, letter, summary of valuations, valuation certificates and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

8. BINDING EFFECT

This Prospectus shall have the effect, if an application is made pursuant to this Prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

9. BILINGUAL PROSPECTUS

The English language and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance

(Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this Prospectus, the English language version shall prevail.

10. PARTICULARS OF THE SELLING SHAREHOLDERS, THE OVER-ALLOTMENT OPTION GRANTORS AND THE OFFER SIZE ADJUSTMENT OPTION GRANTORS

As of the Latest Practicable Date, Luckfield Global Limited is still obtaining certain approvals to sell Shares pursuant to the International Placing, hence subject to such approvals being obtained, Luckfield Global Limited may or may not sell Shares pursuant to the International Placing. Such decision will be made prior to the time when the International Underwriting Agreement is proposed to be entered into on or about the Price Determination Date. If Luckfield Global Limited is not a Selling Shareholder, the Over-allotment Option Grantors will, on a pro-rata basis, sell additional Sale Shares equal to the number of Shares which Luckfield Global Limited would have sold in the Global Offering to ensure that the total number of Sale Shares in the Global Offering remains the same. The particulars of the Selling Shareholders, the Over-allotment Option Grantors and the Offer Size Adjustment Option Grantors are set out as follows:

Name:	<i>WP OCIM</i>
Place of incorporation:	State of Delaware, United States of America
Date of incorporation:	January 31, 2011
Registered office:	Corporation Trust Center, 1209 Orange Street, County of New Castle, Wilmington, Delaware, 19801-1196, United States of America
Number of the Sale Shares (if Luckfield Global Limited is a Selling Shareholder):	300,472,976
Number of Sale Shares (if Luckfield Global Limited is not a Selling Shareholder)	315,256,952
Maximum number of additional Shares which may be required to sell pursuant to the Offer Size Adjustment Option	88,620,769
Maximum number of additional Shares which may be required to sell pursuant to the exercise of the Over-allotment Option	88,620,769 (assuming the Offer Size Adjustment Option has not been exercised) 101,913,884 (assuming the Offer Size Adjustment Option is exercised in full)
Maximum aggregate number of additional Shares which may be required to sell pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option	190,534,653
Name:	<i>Goldman Sachs Investments Holdings (Asia) Limited</i>
Place of incorporation:	Mauritius
Registered office:	Level 3, Alexandra House, 35 Cybercity, Ebene, Mauritius

Number of the Sale Shares (if Luckfield Global Limited is a Selling Shareholder):	14,531,159
Number of Sale Shares (if Luckfield Global Limited is not a Selling Shareholder)	15,246,126
Maximum number of additional Shares which may be required to sell pursuant to the Offer Size Adjustment Option	4,285,785
Maximum number of additional Shares which may be required to sell pursuant to the exercise of the Over-allotment Option	4,285,785 (assuming the Offer Size Adjustment Option has not been exercised) 4,928,653 (assuming the Offer Size Adjustment Option is exercised in full)
Maximum aggregate number of additional Shares which may be required to sell pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option	9,214,438
Name:	<i>APG-Stichting</i>
Place of incorporation:	The Netherlands
Registered office:	Oude Lindestraat 70, 6411 EJ Heerlen, Netherlands
Number of the Sale Shares:	8,277,000
Name:	<i>General Electric Pension Trust</i>
Place of incorporation:	State of New York, United States of America
Registered office:	c/o State Street Global, Advisors, 1600 Summer Street, Stamford, CT 06905, United States of America
Number of the Sale Shares (if Luckfield Global Limited is a Selling Shareholder):	10,440,306
Number of Sale Shares (if Luckfield Global Limited is not a Selling Shareholder)	10,953,994
Maximum number of additional Shares which may be required to sell pursuant to the Offer Size Adjustment Option	3,079,238
Maximum number of additional Shares which may be required to sell pursuant to the exercise of the Over-allotment Option	3,079,238 (assuming the Offer Size Adjustment Option has not been exercised) 3,541,124 (assuming the Offer Size Adjustment Option is exercised in full)

Maximum aggregate number of additional Shares which may be required to sell pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option

6,620,362

Name: *Emerald Ewood (Cayman) Limited*

Place of incorporation: Cayman Islands

Registered office: Maples Corporate Services Limited, Ugland House, P.O. Box 309, George Town, Grand Cayman KY1-1104, Cayman Islands

Number of the Sale Shares: 8,178,660

Name: *Montsoreau Investment Limited*

Place of incorporation: BVI

Registered office: 2/F Palm Grove House P.O. Box 3340, Road Town, Tortola, British Virgin Islands

Number of the Sale Shares (if Luckfield Global Limited is a Selling Shareholder): 7,005,578

Number of Sale Shares (if Luckfield Global Limited is not a Selling Shareholder) 7,350,268

Maximum number of additional Shares which may be required to sell pursuant to the Offer Size Adjustment Option 2,066,208

Maximum number of additional Shares which may be required to sell pursuant to the exercise of the Over-allotment Option 2,066,208 (assuming the Offer Size Adjustment Option has not been exercised)
2,376,139 (assuming the Offer Size Adjustment Option is exercised in full)

Maximum aggregate number of additional Shares which may be required to sell pursuant to the exercise of the Offer Size Adjustment Option and the Over-allotment Option 4,442,347

Name: *Jingdong Logistics Group Corporation*

Place of incorporation: Cayman Islands

Registered office: Offshore Incorporations (Cayman) Limited, Scotia Center, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands

Number of the Sale Shares: 8,277,000

Name: *Luckfield Global Limited*

Place of incorporation: BVI

Registered office:	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, BVI
Number of the Sale Shares:	16,357,321

11. MISCELLANEOUS

Save as disclosed in this Prospectus,

- (i) within the two years immediately preceding the date of this Prospectus:
 - (a) neither we nor any of our Major Subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;
 - (b) no share or loan capital of our Company or any of our Major Subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (c) no commission, discounts, brokerage or other special terms have been granted in connection with the issuance or sale of any shares or loan capital of any Major Subsidiary;
 - (d) no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our Major Subsidiaries;
- (ii) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
- (iii) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this Prospectus;
- (iv) the principal register of members of our Company will be maintained in the Cayman Islands by Walkers Corporate Limited and a branch register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;
- (v) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (vi) our Company has no outstanding convertible debt securities or debentures;
- (vii) none of the persons whose names are listed in the paragraph headed "—E. Other information—7. Qualifications and Consents of Experts" in this section above is interested beneficially or non-beneficially in any shares in any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for, any securities in any member of our Group; and
- (viii) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

**APPENDIX IX DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this Prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) copies of **WHITE**, **YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the section headed “Statutory and General Information—E. Other Information—7. Qualifications and Consents of Experts” in Appendix VIII to this Prospectus;
- (c) copies of the material contracts referred to in the section headed “Statutory and General Information—B. Further Information about our Business—1. Summary of Material Contracts” in Appendix VIII to this Prospectus; and
- (d) the statement of particulars of the Selling Shareholders, the Over-allotment Option Grantors and the Offer Size Adjustment Option Grantors.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Latham & Watkins LLP at 18th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong, during normal business hours up to and including the day which is 14 days from the date of this Prospectus:

- (a) the Memorandum and Articles of Association;
- (b) the Accountants’ Report prepared by Ernst & Young, the text of which is set out in Appendix I to this Prospectus;
- (c) the audited financial statements of Propertylink for the two years ended June 30, 2017 and 2018 and the audited financial statement on Propertylink Australian Industrial Partnership for the six months ended June 30, 2016 prepared by KPMG, the text of which is set out in Appendix II-A to this Prospectus;
- (d) the audited financial statements of Propertylink (Holdings) Limited (currently known as ESR Asset Management (Holdings) Limited) and Propertylink Trust for the year ended June 30, 2016 prepared by Bentleys Brisbane Partnership, the text of which is set out in Appendix II-A to this Prospectus;
- (e) the audited interim consolidated financial statements of Propertylink for the period from July 1, 2018 to March 20, 2019 audited by Ernst & Young, Australia, the text of which is set out in Appendix II-B to this Prospectus;
- (f) the report on the unaudited pro forma financial information from Ernst & Young, the text of which is set out in Appendix III to this Prospectus;
- (g) the audited consolidated financial statements of our Group for the three years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019;
- (h) the letter, summary of valuations and valuation certificates relating to the property interests of our Group prepared by Beijing Colliers International Real Estate Valuation Co., Ltd., the texts of which are set out in Appendix VI to this Prospectus;
- (i) the letter, summary of valuations and valuation certificates relating to the property interests of our Group prepared by Cushman & Wakefield K.K., the texts of which are set out in Appendix VI to this Prospectus;

**APPENDIX IX DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

- (j) the letter, summary of valuations and valuation certificates relating to the property interests of our Group prepared by CBRE Limited, the texts of which are set out in Appendix VI to this Prospectus;
- (k) the letter, summary of valuations and valuation certificates relating to the property interests of our Group prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the texts of which are set out in Appendix VI to this Prospectus;
- (l) the report issued by JLL, which is set forth in the section headed “Industry Overview” in Appendix IV to this Prospectus;
- (m) the legal opinion issued by Global Law Office, our PRC legal advisers, in respect of certain aspects of our Group and the property interests of our Group in the PRC;
- (n) the material contracts referred to in the section headed “Statutory and General Information—B. Further Information about our business—1. Summary of Material Contracts” in Appendix VIII to this Prospectus;
- (o) the written consents referred to in the section headed “Statutory and General Information—E. Other Information—7. Qualifications and Consents of Experts” in Appendix VIII to this Prospectus;
- (p) the service contracts and letters of appointment referred to in the section headed “Statutory and General Information—C. Further Information about our Directors and Substantial Shareholders—3. Directors’ Service Contracts” in Appendix VIII to this Prospectus;
- (q) the terms of the Post-IPO Share Option Scheme;
- (r) the terms of the KM ESOP;
- (s) the terms of the Tier 1 ESOP;
- (t) the statement of particulars of the Selling Shareholders, the Over-allotment Option Grantors and the Offer Size Adjustment Option Grantors;
- (u) a full list of all the grantees under the KM ESOP; and
- (v) the Cayman Companies Law.



ESR Cayman Limited