ESR

STEP FORWARD

Interim Report 2021

ESR Cayman Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1821

US$36.3 billion
Total AUM

22.6 million sqm
GFA

US$10.3 billion
Market Capitalisation

The figures in this report may be subject to rounding differences.
* Information as at 30 June 2021.

Contents

Space and Solutions for the Future

1H2021 Financial Highlights

1H2021

Total Segmental EBITDA
US$415 million
38.6%

Total PATMI
US$214 million
60.9%

Assets under Management[1]
US$36.3 billion
36.9%

Core PATMI[2]
US$167 million
37.7%

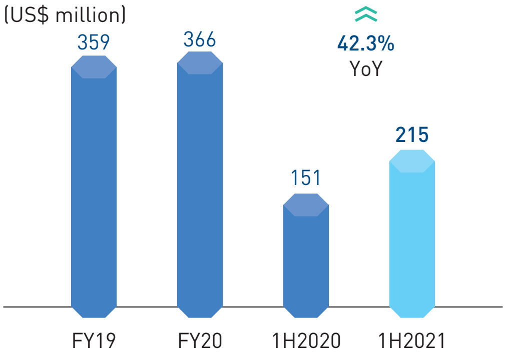
Market Capitalisation[1]
US$10.3 billion

Weighted Average Interest Cost
4.6%

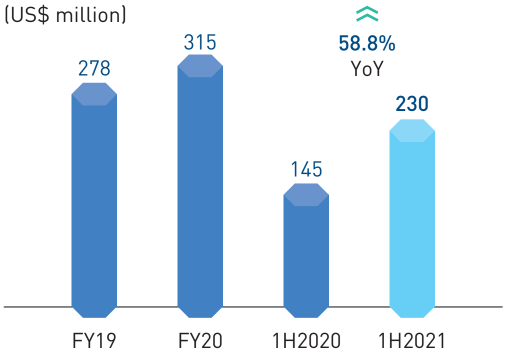
Notes:
1. As at 30 June 2021.
2. Core PATMI is calculated as profit after tax and minority interests, adding back equity-settled share option expense, and less the effect of fair value gains on completed investment properties (net of tax). Refer to non-IFRS measures reconciliation on page 84.

1H2021 Financial Highlights

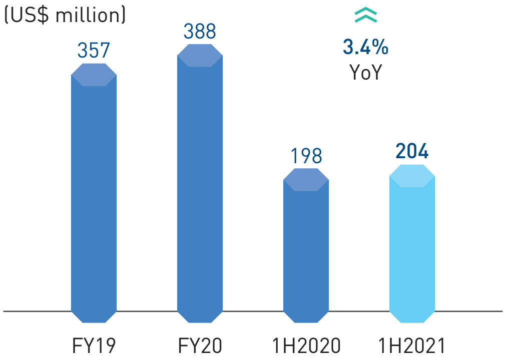
Adjusted EBITDA[3]
(US$ million)



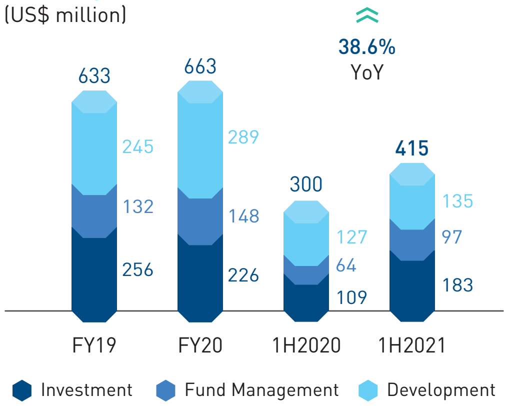
Profit after Tax
(US$ million)



Revenue[5]
(US$ million)



Total Segmental Results
(US$ million)



CASH	NET DEBT/TOTAL ASSETS	NET DEBT/EQUITY
US$1.1 billion	**30.6%**	**62.3%**

	Full Year Ended 31 December		Six Months Ended 30 June	
BALANCE SHEET (US$ million)	**FY2019**	**FY2020**	**1H2020**	**1H2021**
Total assets	6,352	7,687	6,662	8,550
Cash and bank balances	884	1,515	947	1,133
Bank and other borrowings	2,571	3,295	2,855	3,753
Net debt[4]	1,687	1,780	1,908	2,620
Net debt/total assets	26.6%	23.2%	28.6%	30.6%

3. Adjusted EBITDA is calculated as profit before tax, adding back depreciation and amortisation, exchange loss/(gain), finance costs, equity-settled share option expense, and the listing expenses, and eliminating the effect of interest income, and fair value gains on completed investment properties and investment properties under construction.
4. Net debt is calculated as bank and other borrowings less cash and bank balances.
5. Includes construction income.

* EBITDA, Adjusted EBITDA, and Core PATMI are non-IFRS measures. These measures are presented because the Group believes they are useful measures to determine the Group's financial condition and historical ability to provide investment returns. EBITDA, Adjusted EBITDA, and Core PATMI and any other measures of financial performance should not be considered as an alternative to cash flows from operating activities, a measure of liquidity or an alternative to net profit or indicators of the Group's operating performance on any other measure of performance derived in accordance with IFRS. Because EBITDA, Adjusted EBITDA, and Core PATMI are not IFRS measures, these may not be comparable to similarly titled measures presented by other companies. Refer to non-IFRS measures reconciliation on page 84.

1H2021 Operational Highlights

9-13 Link Way, Laverton North, Victoria, Australia

1H2021 Operational Highlights

Fund AUM increased 38% year-on-year to
US$32.7 billion

Raised
US$2.5 billion
with new/upsized funds

Over
US$4.4 billion
of committed but uncalled capital

Powered by New Economy

- Leased 1.6 million sqm of space[1] primarily to new economy tenants
- E-commerce and 3PLs remain key demand drivers representing 64% of portfolio leases[1,2]

Strong Portfolio Fundamentals

- 3.8 years weighted average lease expiry (WALE)[3]
- 89% portfolio occupancy[5]

US$5.5 billion
of development work in progress (WIP)[4]

US$1.2 billion
of development starts and
US$0.9 billion
of development completions

Robust landbank of
2.9 million sqm

Notes:
1. Based on investment properties on balance sheet and investment properties held in the funds and investment vehicles.
2. Based on income for 1H2021.
3. Based on investment properties on balance sheet and investment properties held in funds and investment vehicles by leased area and by income as at 30 June 2021.
4. Based on estimated total cost.
5. Based on stabilised investment properties on balance sheet.

Proposed Acquisition of ARA Asset Management

On 4 August 2021, ESR Cayman entered into the Acquisition Agreement pursuant to which ESR will acquire 100% of the share capital of ARA Asset Management ("**ARA**") for US$5.2 billion, raising ESR's profile as the largest real estate and real asset manager in Asia Pacific that is powered by the New Economy, with a combined AUM of US$131 billion[1,2].

CREATING APAC'S LARGEST REAL ASSET FUND MANAGEMENT PLATFORM POWERED BY LOGISTICS AND DATA CENTRES ("NEW ECONOMY")

ESR

Largest
APAC-Focused Logistics Real Estate Platform

US$36 billion
AUM[1]

37% / 42%
Perpetual + Core Capital[4]/ AUM Growth[6]

3
Listed REITs

ARA LOGOS

Largest
Real Assets Manager in APAC with Significant Exposure to New Economy

US$95 billion
AUM[2]
US$65 billion: Public REITs, private funds and subsidiaries
US$30 billion: Associates[3]

11[5]
Listed REITs

58% / 30%
Perpetual + Core Capital[2] / AUM Growth[6]

59 New Capital Partner Relationships; 9 of Top 20 Global LPs[7]

US$131 billion AUM[1,2], ~2x the Closest Peer

US$53 billion[1,2] New Economy AUM; #1 in APAC

#1 APAC Real Asset Fund Manager Powered by New Economy
ESR LOGOS

>80% EBITDA from New Economy Real Estate[8]

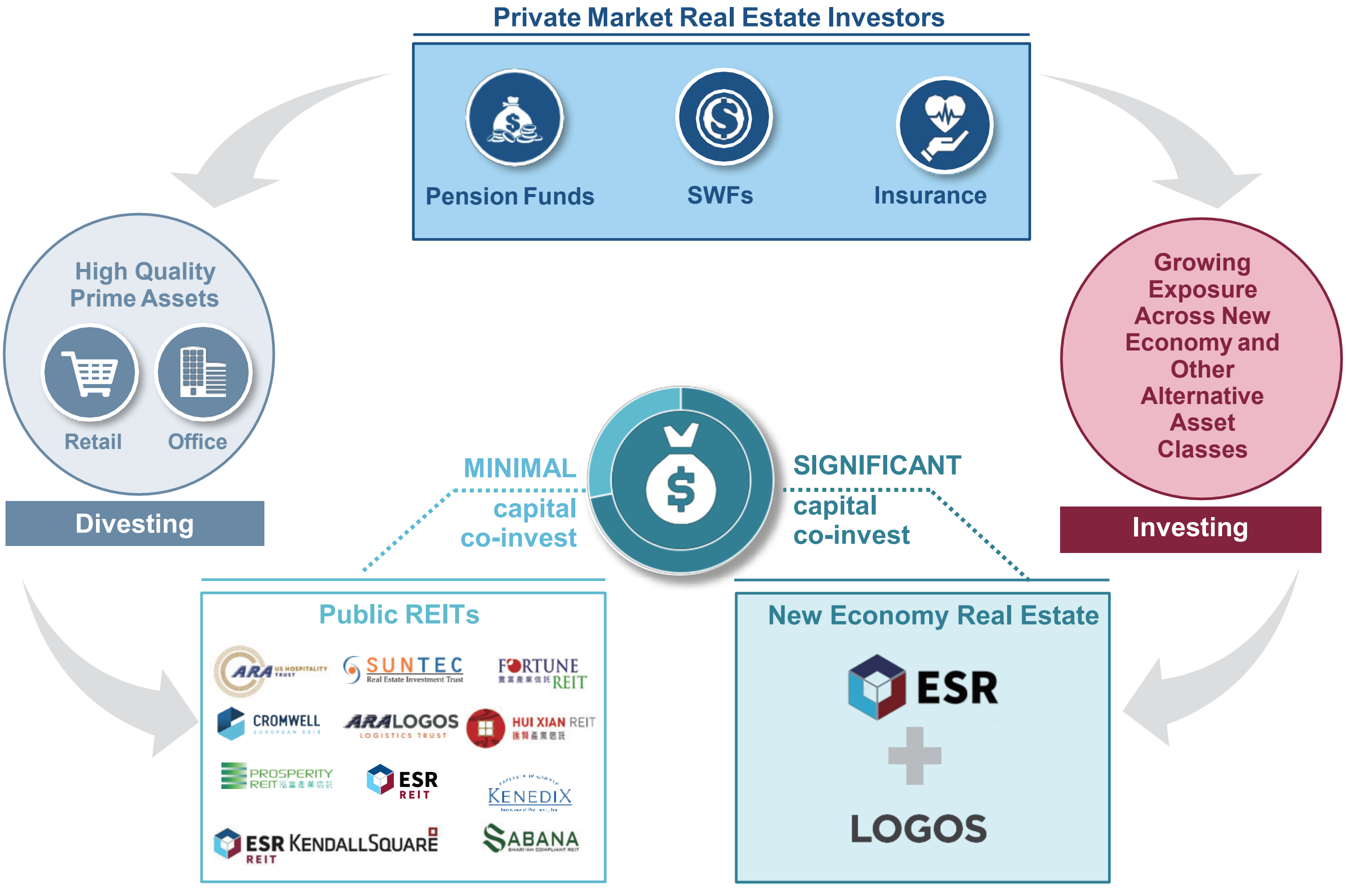
>50% Perpetual + Core Capital with 14 Listed REITs

Source: Company Information, JLL Independent Market Research, data for peers as of 31 December 2020, or if unavailable, as of latest publicly available figures

Notes:
1. Based on reported AUM of US$36.3 billion for ESR as at 30 June 2021.
2. Assets under management by ARA Group and its Associates as at 30 June 2021, adjusted for LOGOS' acquisition of Moorebank Logistics Park announced on 5 July 2021; data for peers as of 31 December 2020, or if unavailable, as of latest publicly available figures.
3. Associates include Cromwell ("**CMW**") and Kenedix ("**KDX**").
4. Based on reported AUM as at 30 June 2021.
5. Five directly managed REITs, six by associates.
6. 2016–2020A CAGR.
7. Ranked by real estate allocation since 2011 (JLL Independent Market Research, Preqin).
8. Based on 2020A segment EBITDA, before unallocated corporate costs.

ESTABLISHING A FULLY INTEGRATED CLOSED LOOP SOLUTIONS ECOSYSTEM FOR OUR CAPITAL PARTNERS

By creating a one-of-a-kind closed loop solutions ecosystem for capital partners with the addition of ARA, we can leverage our perpetual capital vehicles to help them divest these assets and captively redeploy back into New Economy real estate via ESR and LOGOS — the largest New Economy real estate platform in Asia Pacific with US$53 billion of AUM.



ESR is well-positioned to benefit from a fully integrated closed loop solutions ecosystem to help global capital partners divest Grade A real estate with the benefit to re-deploy the capital back into new economy real estate via ESR and LOGOS

Source: Company Filings. FX rate:1 US$ = 6.5 RMB

Overview of ESR

WHO WE ARE

ESR Cayman Limited ("Company " or "ESR" and together with its subsidiaries, the "Group") is the largest Asia Pacific focused logistics real estate platform by GFA with the largest development pipeline in aggregate across major markets in the region and a growing presence in data centres. We develop and manage modern logistics and industrial facilities across China, Japan, South Korea, Australia, Singapore, India, Vietnam and Indonesia. Our extensive geographical reach enables our tenants to expand throughout the region as their businesses grow, and provides investment opportunities for our capital partners to tap into the region's strong growth momentum.

Over 22.6 million sqm of GFA in operation and under development[1]

#1 Development Pipeline in China[2], Greater Tokyo, Greater Osaka and Seoul Metropolitan Area[3]

#1 Landlord of e-commerce companies in China[4]

35 private third-party investment vehicles and **3** listed REITs

393 properties across Asia Pacific

64% of tenant base made up of e-commerce and 3PL tenants

INVESTMENT

Our investment platform includes completed properties held on our balance sheet, our co-investments in the funds and investment vehicles and the public REITs we manage, as well as other investments.

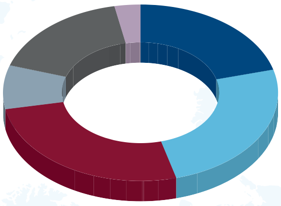
FUND MANAGEMENT

We manage a broad range of funds and investment vehicles that invest in a portfolio of premium logistics properties in various stages of the property life cycle, providing a single interface with multiple investment opportunities for our capital partners.

DEVELOPMENT

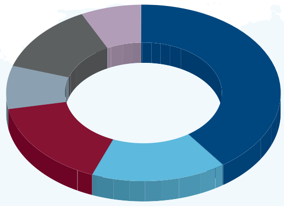
Our development platform with an end-to-end integrated suite of technical capabilities and services covers every stage of the development cycle including land sourcing, design, construction and leasing.

AUM by region

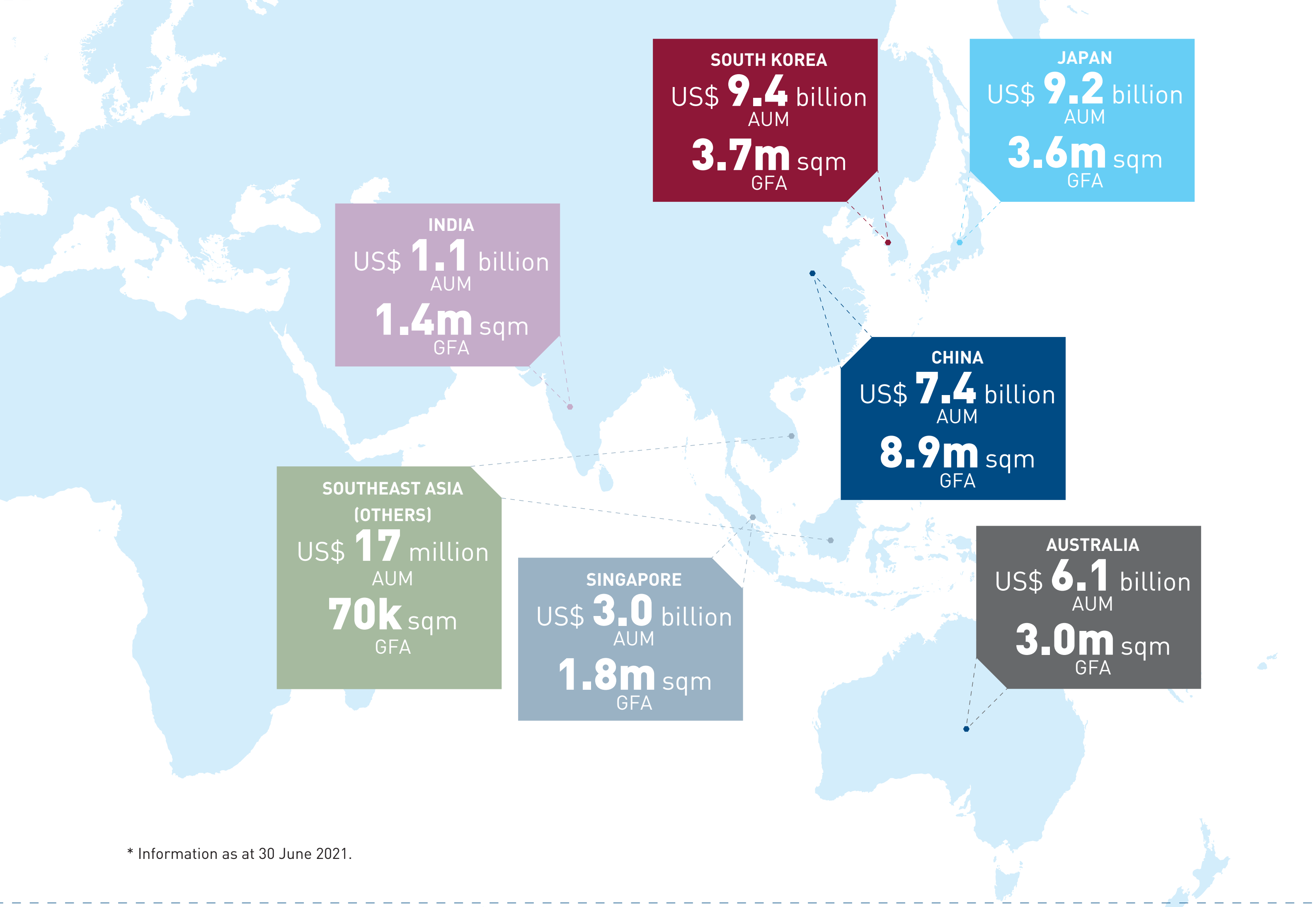


China	21%
Japan	25%
South Korea	26%
Singapore	8%
Australia	17%
India/Others	3%

GFA by region



China	40%
Japan	16%
South Korea	16%
Singapore	8%
Australia	13%
India/Others	7%



* Information as at 30 June 2021.

Notes:
1. Consisting of approximately 14.2 million sqm of GFA of completed properties, approximately 5.5 million sqm of GFA of properties under construction and approximately 2.9 million sqm of GFA to be built on land held for future development as of 30 June 2021.
2. In Greater Shanghai, Greater Beijing and Greater Guangzhou from 2020 to 2021.
3. In Greater Tokyo, Greater Osaka and Seoul Metropolitan Area, measured by GFA from 2019 to 2020.
4. In terms of proportion of total area occupied in China in comparison only to GLP as of September 2017 when GLP was privatised.

Key Trends To Support Our Growth Strategies

GLOBAL TRENDS

Asia Pacific Logistics – Largest Secular Growth Opportunity In Asia

Rapid Rise of E-Commerce

Digital Transformation

Financialisation of Real Estate

OUR COMPETITIVE STRENGTHS

1

Largest Asia Pacific focused logistics real estate platform
Our portfolio is supported by our expansive scale and dynamic growth of the logistics market in Asia Pacific. Complemented by the strength of our balance sheet, our broad network of modern logistics facilities and investment vehicles underpins our value proposition to tenants and capital partners.

2

Integrated development platform with technical capabilities to meet tenants' growing demand
Our capabilities include strong project sourcing and execution, and is complemented by our efficient capital recycling strategy which provides an exit strategy to realise gains for the platform and for our capital partners.

3

Well-established fund management platform that facilitates AUM growth
Designed to provide us with long-term operational control of our assets and sustainable fees across the full asset life-cycle, our fund management platform supports AUM growth and generate multiple sources of fund fee income.

4

Network of high-quality tenants and best-in-class capital partners
The size and scale of our capital partners combined with their long-term approach provide us with access to capital while we maintain strong and long-standing relationships with our network of high quality tenants.

5

Proven ability to grow organically and execute opportunistic M&A transactions to expand our capabilities
Our strategy is to create long-term, scalable logistics platforms with proven development capabilities and we partnership with strong local leadership for expansion into new markets.

6

Strong management team and backed by reputable shareholders
We are co-founded and are led by an experienced management team that has pioneered the asset class in every major market in Asia. Our key and strategic shareholders have provided us with the ability to leverage their capabilities, and access to capital, strategic land holdings and tenant relationships.

FOCUS	PRIORITIES
1 Capitalise on significant market opportunities across Asia Pacific	• Further develop our markets and build logistics infrastructure for the modern economy • Build on our network of high quality tenants • Leverage on our integrated fund platform by using our robust deal sourcing and development capabilities and capital pool
2 Leverage our scale and geographic presence to expand into new growth markets	• Actively evaluate opportunities in new markets through potential partnerships and selective acquisitions in high growth markets • Deepen our regional connectivity by offering logistics solutions in multiple cities in multiple markets in our portfolio • Focused on building and strengthening long-term tenant relationships
3 Expand our fund management platform and attract new capital partners while bringing existing capital partners across markets	• Global institutional investor base and capital recycling model • Inject select completed properties into our core/core-plus funds • Pursue acquisition opportunities for listed fund platforms and selectively expand existing REIT vehicles • Leverage the network effect to attract capital partners across Asia Pacific
4 Strategically explore and expand into adjacent businesses and investment products within Asia	Leverage our ecosystem of shareholders, capital partners, local teams and tenants to penetrate adjacent businesses

Management Discussion and Analysis

BUSINESS REVIEW

During the six months ended 30 June 2021 ("**1H2021**"), ESR continued its strong momentum and delivered outstanding performance. The Group's three pillars of business — investment, fund management and development — remained robust and delivered exceptional growth.

The COVID-19 pandemic continues to accelerate the growth of e-commerce where ESR sits at the heart of the central nervous system delivering the core New Economy infrastructure to its best-in-class clients. ESR's strong financial results and operational excellence have demonstrated not only the Group's resilience, but also the strength and power of its business model.

Revenue (excluding construction revenue) for 1H2021 was US$177.7 million, up 24.7% from US$142.4 million in 1H2020. EBITDA increased by 38.6% from US$269.4 million in 1H2020 to US$373.5 million in 1H2021. Fund Management EBITDA recorded accelerating growth with a 50.9% year-on-year increase from US$64.4 million in 1H2020 to US$97.1 million in 1H2021. Net profit attributable to the owners of the Company ("**PATMI**") grew 60.9% from US$133.0 million in 1H2020 to US$213.9 million in 1H2021. Higher PATMI was driven by the growth in the Group's co-investments in funds, associates, and joint ventures, as well as lower borrowing costs. This is in line with ESR's asset light strategy and disciplined capital management.

Having witnessed sustained strong capital inflows and leasing demand, the logistics market has solidified its position as the preferred real estate asset class in Asia. It is expected that e-commerce acceleration and supply chain transformation will continue to benefit ESR as it extends the platform deeper into existing markets as well as new markets over the next 12 months.

Accelerating growth of Fund Management segment

ESR's Fund Management segment achieved stellar performance in 1H2021 with revenue surging 48.2% to US$123.9 million, buoyed by various key drivers including: the continued growth in the Group's fund AUM which rose 37.9% year-on-year to US$32.7 billion; the robust development work-in-progress ("**WIP**") (in funds) which reached a record US$5.5 billion; and strong leasing activity with over 1.6 million sqm of space leased across portfolio.

Supported by its well-established fund management platform, together with the continued acceleration in fundraising momentum, the Group's total AUM continued to grow, reaching US$36.3 billion, up 36.9% year-on-year.

The Group continues to see strong capital flows into logistics as global institutional investors are seeking to strategically rebalance their portfolios. Underpinned by the strong capital partner relationships and track record ESR has built over the years, the Group raised US$2.5 billion in committed capital via new and/or upsized vehicles across Japan, South Korea and Australia.

- JPY75 billion (approximately US$675 million) expansion of ESR Japan Logistics Fund III ("**RJLF3**") with APG and another global institutional investor;
- US$500 million upsized investment with CPP Investments in the Korea Income Joint Venture; and
- A$1.3 billion (approximately US$1.0 billion) investment partnership with GIC for a newly formed investment vehicle, EMP, for the Milestone Portfolio acquisition in Australia.

The A$3.8 billion (approximately US$2.9 billion) acquisition of the Milestone Portfolio and its management platform, which was completed in June 2021, marks the largest-ever logistics property transaction in Australia. The acquisition represents an 80% uplift in ESR Australia's AUM, which is now valued at US$6.1 billion, and positions ESR as the third largest logistics and industrial owner in the country, within three years of entering the Australian market.

Fundraising momentum remains strong as the Group continues to deepen its relationships with new and existing capital partners. As of 30 June 2021, the Group had over US$4.4 billion worth of committed but uncalled capital to invest in new projects going forward.

Robust development activities and leasing performance

ESR has over 19.7 million sqm of GFA in operation and under development across its portfolio and a landbank of over 2.9 million sqm, as of 30 June 2021. Its Asia Pacific ("**APAC**") wide portfolio achieved outstanding performance across multiple fronts, from new development starts to leasing.

Development demand remained robust with WIP growing by 57% to a record US$5.5 billion in 1H2021. The Group achieved US$1.2 billion worth of development starts (vs US$0.8 billion in 1H2020) and US$0.9 billion in development completions during the period.

ESR owns one of the largest development pipelines in the region, totalling over 16.1 million sqm across its portfolio. It will continue to leverage third-party capital to fund development starts and exercise a disciplined asset light approach to achieve its targeted development completions.

In addition to strengthening its market leadership position in core markets, the Group has also sought to expand its footprint in Southeast Asia, one of the fastest growing regions in the world.

In May 2021, the Group entered the Vietnamese market via a joint venture with the leading local logistics and industrial developer and operator, BW Industrial, to develop a 240,000 sqm project in Binh Duong, a major industrial development hub in southern Vietnam.

E-commerce acceleration and supply chain resilience have spurred demand for modern, institutional-grade logistics facilities, driving the solid performance of ESR's leasing activities. The Group maintained a healthy occupancy rate of 89% across its entire portfolio[1], and achieved record leasing of over 1.6 million sqm of space.

Strong balance sheet and continued asset light trajectory

As of 30 June 2021, ESR has a robust and well-capitalised balance sheet with US$1.1 billion in cash, and net debt over total assets of 30.6%.

ESR continues to expand and diversify its funding and capital structure, which is crucial for fuelling the Group's long-term growth. In April 2021, it entered into a US$400 million (with a US$100 million incremental option) unsecured term loan facility which consists of a three-year tranche of US$267 million at Libor plus 2.75% and a five-year tranche of US$133 million at Libor plus 3.25%. There were 10 banks participating in the new facility which included both international and Asian financial institutions. In March 2021, ESR issued S$200 million (approximately US$148.6 million) NC5 fixed rate perpetual resettable step-up subordinated securities at a distribution rate of 5.65% ("**Perpetual Securities NC5 5.65%**") under its US$2.0 billion Multicurrency Debt Issuance Programme. In June 2021, ESR issued a further tranche within the Perpetual Securities NC5 5.65% amounting to S$150 million (approximately US$111.6 million), bringing the aggregate total amount to S$350 million (approximately US$260.2 million).

The Group continues its asset light approach focusing on active recycling of capital to scale its business platform for future growth.

In May 2021, ESR-REIT embarked on its maiden overseas acquisition outside Singapore by taking a 10% stake in ESR Australia Logistics Partnership ("**EALP**"), which is an existing Australian core fund managed by ESR's Australian platform. This transaction also marks ESR-REIT's first acquisition from the Group's APAC pipeline.

In June 2021, ESR Kendall Square REIT also completed the acquisition of the Anseong Logistics Park from the existing core fund managed by ESR's Korean platform.

In July 2021, the Group fully exited its investment in Centuria Capital Group ("**CNI**") with A$272 million (approximately US$207.4 million) of total proceeds. The investment generated a 23.0% unleveraged IRR[2].

Notes:
1. Based on stabilised investment properties on balance sheet as at 30 June 2021.
2. Includes dividends.

Management Discussion and Analysis

Strengthened environmental, social and governance ("ESG") commitments

ESR continues its focus on sustainable growth as it constantly enacts a positive impact on the industry and creates a purpose-driven culture for the communities where it operates.

ESG is at the heart of the Group's business, driving all decisions to maximise value for all stakeholders across the value chain. The Group has undertaken significant sustainability initiatives under its ESG 2025 Roadmap, underscored by sustainable properties and operations as well as best corporate practices.

As the Group expands into new markets and frontiers, it puts great emphasis on supporting local causes to contribute to the well-being of its communities.

In southern Vietnam, the Group recently joined forces with its joint venture partner BW Industrial to accelerate the completion of a 40,000 sqm facility in the My Phuoc 4 Industrial Park in Vietnam, converting it into a makeshift treatment centre in response to the country's evolving COVID-19 pandemic. The Group and its partner worked in close alliance with the People's Committee of Binh Duong, where the facility is located, to provide a safe environment to support the local community in need.

In April 2021, ESR was awarded an MSCI ESG rating of A, recognising its outstanding performance in ESG best practices.

OUTLOOK

Asia is projected to recover faster than other regions economically and will be at the centre of all logistics activity — both in growth and investment. Asia will contribute about half of the world's trade growth by 2030 and the Asian e-commerce logistics market will account for 57% of total market growth from 2020 to 2025[3]. ESR has developed depth and expertise in its asset-light logistics strategy of high quality logistics development that has positioned the Group well for future growth. 2021 has already seen a strong uptick in leasing sentiment and activity, with Asia warehouse net absorption reaching its highest first quarter total in recent years[4].

Investment Segment

There has been a clear shift towards occupiers engaged in the new economy, with a greater level of take-up and activity from e-commerce retailers and 3PL sector expansion. The Group continues to strengthen its deep tenant relationships across its markets which have seen expansion by repeat tenants, redevelopment opportunities and acquisitions. In June 2021, ESR completed the A$3.8 billion (approximately US$2.9 billion) purchase of the Milestone Portfolio and its management platform from Blackstone, propelling ESR Australia as the third largest logistics and industrial owner in the country at an AUM of US$6.1 billion.

ESR Kawasaki Yako Distribution Centre, Japan

Notes:
3. McKinsey & Company, Asia: The Highway Of Value For Global Logistics, 19 May 2021.
4. CBRE, Q1 2021 Asia Pacific Industrial & Logistics Trends.

Fund Management Segment

Logistics funds continued to accelerate further in the first half of 2021 as institutional investors started to strategically reallocate their portfolios to enhance diversification[5], after a year of economic lockdowns and restrictions that has disrupted the traditional real estate asset classes. The new trajectory of logistics real estate is still in its early phase, and institutional investors will look to increase their exposure to logistics assets by 40–50% in the near term[5].

The Group remains agile to robust customer-led demands, as it adapts to the changing consumption habits and structural shifts in the new economy sector. In 1H2021, ESR continued to see strong capital flows and raised over US$2.5 billion through the establishment and/or re-ups of new funds across Japan, South Korea and Australia. These include a JPY75 billion (approximately US$675 million) expansion of RJLF3 with APG and another global institutional investor, a US$500 million upsize investment with CPP Investments in the Korea Income Joint Venture, and a US$1 billion investment partnership with GIC for a newly formed investment vehicle, EMP, for the Milestone Portfolio acquisition in Australia. We expect to continue to deepen our strong relationships with new and existing capital partners, while maintaining our asset-light fund management strategy.

In August 2021, the Group announced the formation of a US$1 billion equity new development joint venture, ESR China Development Platform ("**ECDP**"), together with existing capital partners APG and another global institutional investor.

Development Segment

The Group will continue to strengthen its market leadership position across its core markets. As at 30 June 2021, the Group has a development pipeline of over 16.1 million sqm across its portfolio, including a robust landbank of over 2.9 million sqm.

As more institutional investors make logistics a core part of their portfolios, they focus on high quality assets anchored by global or regional occupiers with strong credit quality and can commit to long leases[5]. Demand for these assets is primarily driven by multinational e-commerce operators and 3PLs.

Focusing on quality projects with increased scale and higher value, ESR is well-positioned to benefit from a strong pipeline of large scale quality developments to be delivered over the next few years.

- By end-2021, the Group expects the completion of ESR Shanghai Qingpu Yurun Phase I, a high-standard logistics facility with a total planned GFA of over 340,000 sqm which includes cold storage space. Construction of Phase II commenced in Q4 2020 and is expected to be completed by 2023.

- The Dushangang project in Jiaxing, China is scheduled for completion in 2022 with a total planned GFA of over 235,000 sqm.

- In Japan, the Group has commenced construction of the second phase of the master-planned ESR Yokohama Sachiura Logistics Park at over 195,000 sqm and is set to be completed in early 2023. The multi-phase development, at approximately 800,000 sqm over four phases, is set to the largest logistics park in Japan when fully developed.

Note:
5. JLL, A New Trajectory For Logistics Real Estate In Asia Pacific, Asia Pacific, July 2021.

Management Discussion and Analysis

Growing Presence in Data Centres

Pandemic-led demand has reinforced the resiliency of the data centre sector, which is driven by strong digital trends and accelerated consumer shift to e-commerce. Total data centre net absorption in Asia Pacific Tier I markets reached 322 MW in 2020, and doubled that of 2019[6].

With the continued digital transformation, ESR strives to capitalise on this secular trend by scaling up its data centre efforts, building a network of agile and scalable data centres that interconnect businesses and individuals in the digital economy, support customers' expansion in scale and reach, and create value for ESR's ecosystem of New Economy real estate.

In 1H2021, the Group launched its first data centre development by acquiring a key data centre asset in Osaka which will be developed into a US$2 billion multi-phase data centre campus of up to 78MW IT load. The Group also acquired an asset in Kwai Chung, one of the major data centre clusters in Hong Kong, which will be developed into a 40MW data centre.

The Next Stage of Growth

Looking ahead, the Group remains confident in the strong fundamentals and future prospects for New Economy real estate in APAC. E-commerce acceleration and digital transformation will continue to drive demand for logistics infrastructure and data centres. On the capital front, global investors are increasingly consolidating their relationships towards a limited number of large-scale managers and allocating more capital to a smaller roster of platforms.

To capitalise on these prevailing trends, ESR is firmly focused on accelerating its growth in size, scale and offerings. In August 2021, ESR entered into an agreement to acquire 100% of the share capital of ARA Asset Management Limited ("**ARA**") for US$5.2 billion ("**The Proposed Transaction**") via a 90/10 stock/cash consideration, with net cash of US$269 million (net of share placement to SMBC). The Proposed Transaction, which includes ARA's captive logistics and data centre specialist LOGOS, will create the largest real estate and real asset manager in APAC and the third largest listed real estate investment manager globally, powered by leading New Economy real estate platform. With an enlarged Group New Economy AUM of US$53 billion, a development WIP of over US$10 billion and the largest logistics and data centre pipeline of over 7.7 million sqm/>1,200 MW of capacity in Asia Pacific, the Group has even greater conviction and confidence in the power of the combined platform and in delivering the Group's next phase of growth. The Proposed Transaction is subject to ESR's shareholders' approval at an extraordinary general meeting which will be convened in due course, and is subject to customary closing conditions including, amongst others, regulatory approvals.

ESR will continue to actively evaluate opportunities in key markets and new locations to grow its footprint, while strengthening its deep relationships with its quality tenants and best-in-class capital partners.

With its quality portfolio of logistics properties, coupled with its strong underlying business fundamentals and well-capitalised balance sheet, the Group is well-placed to leverage ongoing growth and development opportunities and seize investment opportunities.

ESR Chigasaki Distribution Centre, Japan

Note:
6. CBRE, Asia Pacific Data Centre Trends H2 2020.

FINANCIAL REVIEW

ESR has continued its strong momentum and delivered outstanding performance during 1H2021.

This is attributable to accelerated business performance across all segments (especially fund management) and AUM reached US$36.3 billion, up 36.9% year-on-year. As of 30 June 2021, the Group has a robust and well-capitalised balance sheet with US$1.1 billion in cash, and net debt over total assets of 30.6%.

REVENUE

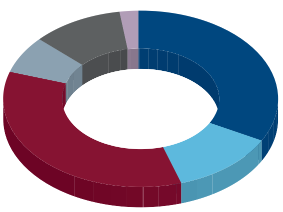
The Group's revenue (ex-construction) grew 24.7% from US$142.4 million in 1H2020 to US$177.7 million in 1H2021, driven by higher fees from fund management segment.

Management fee increased by 48.2% from US$83.6 million in 1H2020 to US$123.9 million in 1H2021 contributed by AUM growth across multiple markets, as well as increased recurring fee income base, promote income and higher development activities.

Construction revenue decreased by 51.6% from US$55.2 million in 1H2020 to US$26.7 million in 1H2021 which is due to lower construction income from outstanding projects subsequent to ESR Australia's disposal of its construction arm in September 2020. Accordingly, cost of sales also decreased correspondingly.

Geographically, revenue from the Australia market which made up of 22.6% of the Group's revenue, decreased from US$84.9 million in 1H2020 to US$46.3 million in 1H2021 mainly due to disposal of construction arm. Excluding construction revenue, the Australia market revenue made up of 11.0% of the Group's 1H2021 revenue. China, Japan and South Korea markets accounted for 80.0% in aggregate to the Group's 1H2021 revenue (ex-construction). These four markets collectively made up of 91.0% of the Group's revenue. Singapore and India made up of the remaining 9.0% revenue (ex-construction) of the Group.

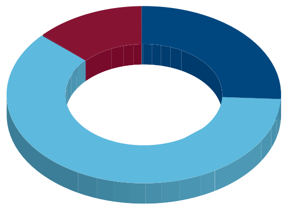
1H2021 Revenue Contribution By Region[7]



China	33%
South Korea	12%
Japan	35%
Singapore	7%
Australia	11%
India/Others	2%

Note:
7. Excludes contribution from construction income.

1H2021 Revenue By Segment



Investment	26%
Fund Management	61%
Development	13%

PATMI AND EBITDA

EBITDA increased by 38.6% from US$269.4 million in 1H2020 to US$373.5 million in 1H2021. PATMI grew 60.9% from US$133.0 million in 1H2020 to US$213.9 million in 1H2021. Profit for the 1H2021 increased by 58.8% from US$144.7 million in 1H2020 to US$229.7 million in 1H2021. Higher PATMI was driven by the growth in the Group's co-investments in funds, associates, and joint ventures, as well as lower borrowing costs. This is in line with ESR's asset light strategy and disciplined capital management.

The Group recorded fair value gain on investment properties of US$165.9 million for 1H2021 (1H2020: US$125.8 million). The increase contributed from the acquisition of a key data centre asset in Osaka, Japan.

Higher share of profits of US$78.1 million was recognised from share of joint ventures' results, compared to US$43.8 million in 1H2020. The increase was mainly driven by asset appreciation of the Group's investments in South Korea.

The Group's weighted average interest rate cost as of 30 June 2021 was 4.6% compared to 5.0% as of 30 June 2020. Accordingly, overall finance cost increased by 11.4% from US$71.7 million in 1H2020 to US$79.8 million in 1H2021 despite total borrowings increased by 31.5% year-on-year.

Administrative expenses increased by 13.1% from US$85.5 million in 1H2020 to US$96.8 million in 1H2021 primarily due to higher non-recurring professional fees incurred for acquisitions of assets and investments.

Management Discussion and Analysis

SEGMENT RESULTS

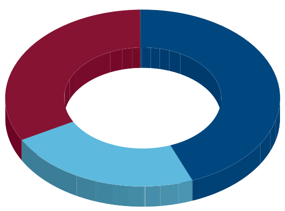
Investment segment results increased by 68.7% from US$108.6 million in 1H2020 to US$183.1 million in 1H2021. The increase was mainly contributed by fair value gain from the Group's investment properties in Japan and China, higher share of results from its investment in South Korea and US$3.3 million gain from disposal of one of the Group's interest in an associate.

In 1H2021, the Group recorded dividend income amounted to US$27.4 million from distributions received Japan co-investments. Accordingly, the Group recorded share of reduction in the carrying value in these co-investments of US$36.8 million in aggregate. Excluding such amount, the change in carrying value of financial assets and liabilities at fair value through profit or loss would have been a gain of US$22.8 million.

Fund management segment results increased by US$32.8 million or 50.9% from US$64.4 million in 1H2020 to US$97.1 million in 1H2021. The increase was driven by growth in funds under management such as Australia, Japan and South Korea funds, as well as recurring income base.

Development segment results increased by 6.7% from US$126.8 million in 1H2020 to US$135.3 million in 1H2021. Higher segment results were contributed by share of results from the Group's joint venture in South Korea, a gain from the further sell down of the Group's associate and an asset disposal in Australia.

1H2021 Segmental Results (EBITDA)



ASSETS

Total assets increased from US$7.7 billion as of 31 December 2020 to US$8.6 billion as of 30 June 2021, comprised mainly investment properties, investment in joint ventures and associates, investment in funds (classified as financial assets at fair value through profit or loss), investment in listed securities (classified as financial assets at fair value through other comprehensive income) and cash balances.

Investment properties increased by 35.1% to US$3.6 billion as of 30 June 2021 (31 December 2020: US$2.7 billion). The increase contributed by the acquisitions of a key data centre asset in Osaka, which will be developed into a multi-phase data centre campus; and an asset in Kwai Chung in Hong Kong, which will be developed into data centre. In addition, the Group acquired Nanko Distribution Centre 1, a stabilised asset in Osaka which will be injected as seed asset into Japan Income Fund where ESR will be the manager.

Investment in joint ventures and associates increased by 17.6% to US$1.3 billion as of 30 June 2021 (31 December 2020: US$1.1 billion) contributed by the Group's acquisition of ESR Milestone Partnership in June 2021, in addition to higher share of results from existing joint ventures in South Korea and China. Increase in goodwill by US$332.9 million to US$673.1 million as of 30 June 2021, was contributed by acquisition of Milestone Operation Limited, the manager of the Milestone Portfolio. The Group also recorded an increase in intangibles balances from the acquisition of the Milestone Portfolio.

Investment in listed securities decreased by 18.3% to US$717.5 million (31 December 2020: US$878.3 million), which was mainly due to a partial disposal of Centuria Capital Group ("**CNI**") shares in May 2021. Post 30 June 2021, the Group has fully disposed of its remaining stake in CNI. The above was partially offset with an increase in holding of the Group's existing investments.

	1H2021		1H2020		Variance	
Segmental Results (EBITDA)	**US$ million**	**%**	**US$ million**	**%**	**US$ million**	**% change**
Investment	183	44%	109	36%	74	69%
Fund Management	97	23%	64	22%	33	51%
Development	135	33%	127	42%	8	7%
Total	**415**		**300**		**115**	**39%**

LIABILITIES

Total bank and other borrowings as of 30 June 2021 were US$3.8 billion compared to US$3.3 billion at December 2020. With cash balance of US$1.1 billion, the net debt to total assets as at 30 June 2021 were 30.6% (31 December 2020: 23.2%). Additional borrowings were drawn mainly to fund the Group's investments and ongoing development.

During the year, the Company entered into the following borrowings with diversified funding sources:

- In March 2021, ESR issued S$200 million (approximately US$148.6 million) NC5 fixed rate perpetual resettable step-up subordinated securities at a distribution rate of 5.65% ("**Perpetual Securities NC5 5.65%**") under its US$2.0 billion Multicurrency Debt Issuance Programme. In June 2021, ESR issued a further tranche within the Perpetual Securities NC5 5.65% amounting to S$150 million (approximately US$111.6 million), bringing the aggregate total amount to S$350 million (approximately US$260.2 million).

- In April 2021, ESR entered into US$400 million (with a US$100 million incremental option) unsecured term loan facility which consists of a three-year tranche of US$267 million at Libor plus 2.75% and a five-year tranche of US$133 million at Libor plus 3.25%.

As of 30 June 2021, the Group's weighted average debt maturity was approximately 4 years (31 December 2020: 3 years).

TOTAL EQUITY

Total equity increased from US$3.8 billion as of 31 December 2020 to US$4.2 billion as of 30 June 2021, primarily from net profit for the period of US$229.7 million and US$256.3 million (net of issuance costs) from the Perpetual Securities NC5 5.65%, with an aggregate principal amount of S$350 million (approximately US$260.2 million).

The above increases are partially offset by decreases contributed by: (1) translation exchange difference of US$36.3 million mainly from the Group's Japan and South Korean operations arising from strengthening of US dollars against Japanese Yen and South Korean Won during the period; and (2) mark-to-market of US$20.9 million from the Group's investment in listed securities (classified as financial assets at fair value through other comprehensive income).


ESR Shanghai Yurun I and II Logistics Park, Qingpu District, Shanghai, China

Management Discussion and Analysis

CAPITAL MANAGEMENT

ESR adopts a proactive and disciplined capital management approach, and regularly review its debt maturity profile and liquidity position. The Group maintains a well-capitalised balance sheet, and actively diversifies its funding sources through a combination of facilities with both local and international banks, and capital market issuances in optimising its costs of debt.

The Group's total borrowings as at 30 June 2021 were US$3.8 billion. With a cash balance of US$1.1 billion, the net debt to total assets as at 30 June 2021 was 30.6% which was within an acceptable and healthy range, and is expected to ease following the completion of the ARA acquisition.

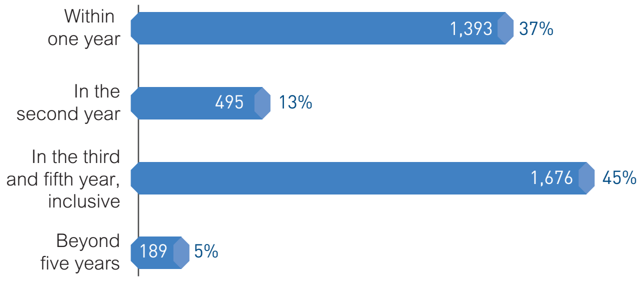
During 1H2021, the Group continues to expand and diversify its funding and capital structure, which is crucial for fuelling the Group's long-term growth. In April 2021, it entered into a US$400 million (with a US$100 million incremental option) unsecured term loan facility which consists of a three-year tranche of US$267 million at Libor plus 2.75% and a five-year tranche of US$133 million at Libor plus 3.25%. There were 10 banks participating in the new facility which included both international and Asian financial institutions. In March 2021, ESR issued S$200 million (approximately US$148.6 million) NC5 fixed rate perpetual resettable step-up subordinated securities at a distribution rate of 5.65% ("**Perpetual Securities NC5 5.65%**") under its US$2.0 billion Multicurrency Debt Issuance Programme. In June 2021, ESR issued a further tranche within the Perpetual Securities NC5 5.65% amounting to S$150 million (approximately US$111.6 million), bringing the aggregate total amount to S$350 million (approximately US$260.2 million).

The Group manages its interest rates exposure by maintaining a combination of fixed and floating rate borrowings. As at 30 June 2021, 34% of the Group's borrowings was on fixed rate while the remaining 66% was on floating rate basis.

In managing the interest rate profile, the Group considers interest rate outlook and holding periods of its investment profile. The Group's weighted average interest rate was 4.6% as of 30 June 2021.

The Group monitors its debt maturity profile regularly. It also ensures sufficient cash reserves are maintained and disciplined in refinancing existing borrowings to meet the Group's short-term obligations, ongoing developments, and investment opportunities. As at 30 June 2021, the Group's weighted average debt maturity is approximately 4 years.

Debt Maturity Profile (US$ million)
As at 30 June 2021

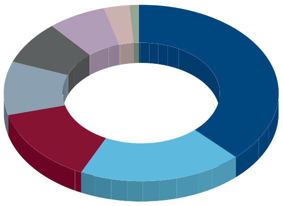


The Group has exposures to foreign exchange rate fluctuations from subsidiaries, associates and joint ventures from China, Japan, South Korea, Australia, Singapore and India. The Group manages its foreign currency exposures via natural hedges at both projects and corporate levels. Operating and development activities of each countries are funded through project level debts and operating income that are in their respective local currencies. At corporate level, the Group currently fund some of its investments through corporate borrowings in the currency of the country in which the investment is located. The Group has not used foreign currency derivatives to hedge its underlying net investments.

As at 30 June 2021, currency profile of the Group's cash and bank balances; and bank and other borrowings are as below:

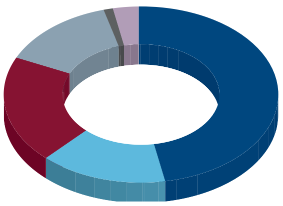
Cash and bank balances

As at 30 June 2021



Bank and Other Borrowings

As at 30 June 2021



CHARGE OF ASSETS

As of 30 June 2021, certain of the Group's assets were pledged to secure bank and other borrowings granted to the Group. The details of charged assets are disclosed in Note 15 to the unaudited condensed consolidated financial information. Except for the aforementioned charges, all the Group's assets are free from any encumbrances.

CONTINGENT LIABILITIES

As at 30 June 2021, neither the Group nor the Company had any significant contingent liabilities.

ESR Dongguan Hongmei Logistics Park, Dongguan, China

Corporate Governance and Other Information

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

As at 30 June 2021, the interests and short positions of the Directors and chief executives of the Company in the ordinary shares (the "**Shares**"), underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) (i) as recorded in the register required to be kept under section 352 of the SFO; or (ii) as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") are as follows:

Name of Director	Capacity/nature of interest	Number of Shares held *(Note 1)*	Approximate percentage of shareholdings as at 30 June 2021
Mr Jinchu Shen	Interest of controlled corporations *(Note 2)*	319,658,645 (L) *(Note 3)*	10.45%
Mr Stuart Gibson	Interest of controlled corporations *(Note 4)*	452,422,219 (L) *(Note 5)*	
	Interest of spouse	73,000 (L)	
		452,495,219 (L)	14.79%
Mr Charles Alexander Portes	Interest of controlled corporations *(Note 4)*	452,422,219 (L) *(Note 5)*	14.78%

Notes:

1. The Letter "L" denotes the long position in the Shares.
2. Laurels Capital Investments Limited 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.
3. Inclusive of the interest in 7,799,856 Shares underlying the share options pursuant to the Tier 1 ESOP.
4. Redwood Investment Company, Ltd. is owned as to 42% and 58% by Kurmasana Holdings, LLC and Redwood Investor (Cayman) Limited respectively, of which Kurmasana Holdings, LLC is wholly-owned by Redwood Investor (Cayman) Limited and the voting rights of Redwood Investor (Cayman) Limited 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) Limited and Kurmasana Holdings, LLC will be deemed to be interested in the Shares held by Redwood Investment Company, Ltd.. Redwood Consulting (Cayman) Limited is owned as to 50% and 50% 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 (Cayman) Limited.
5. Inclusive of the interest in 16,899,687 Shares underlying the share options pursuant to the Tier 1 ESOP.

Save as disclosed above, as at 30 June 2021, none of the Directors and chief executives of the Company has any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) (i) as recorded in the register required to be kept under section 352 of the SFO; or (ii) as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

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

As at 30 June 2021, so far as the Directors and chief executives of the Company are aware, other than the interests of the Directors and chief executives of the Company as disclosed in the section titled "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures", the following persons had, or were deemed to have, interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Capacity/nature of interest	Number of ordinary shares held *(Note 1)*	Approximate percentage of shareholdings as at 30 June 2021
OMERS Administration Corporation	Beneficial owner	456,221,943(L)	14.91%
Mr Stuart Gibson	Interest of controlled corporation and interest of spouse *(Note 2)*	452,495,219(L)	14.79%
Mr Charles Alexander Portes	Interest of controlled corporation *(Note 2)*	452,422,219(L)	14.78%
Kurmasana Holdings, LLC	Interest of controlled corporation *(Note 2)*	420,521,337(L)	13.74%
Redwood Investment Company, Ltd.	Beneficial owner *(Note 2)*	420,521,337(L)	13.74%
Redwood Investor (Cayman) Limited	Interest of controlled corporations *(Note 2)*	420,521,337(L)	13.74%
Laurels Capital Investments Limited	Beneficial owner *(Note 3)*	319,658,645(L)	10.45%
Rosy Fortune Limited	Founder of a discretionary trust *(Note 3)*	319,658,645(L)	10.45%
Mr Jinchu Shen	Interest of controlled corporations *(Note 3)*	319,658,645(L)	10.45%
Tricor Equity Trustee Limited	Trustee *(Note 3)*	319,658,645(L)	10.45%
JD Property Holding Limited	Beneficial owner *(Note 4)*	213,821,461(L)	6.99%
JD.com, Inc.	Interest of controlled corporation *(Note 4)*	213,821,461(L)	6.99%
Jingdong Technology Group Corporation	Interest of controlled corporation *(Note 4)*	213,821,461(L)	6.99%
Mr Qiangdong Liu	Beneficiary of a trust (other than a discretionary interest) *(Note 4)*	213,821,461(L)	6.99%
Max Smart Limited	Interest of controlled corporation *(Note 4)*	213,821,461(L)	6.99%
UBS Trustees (B.V.I.) Limited	Trustee *(Note 4)*	213,821,461(L)	6.99%
APG Asset Management N.V.	Investment Manager *(Note 5)*	211,057,897(L)	6.90%
APG Groep N.V.	Investment Manager *(Note 5)*	211,057,897(L)	6.90%
Stichting Depositary APG Strategic Real Estate Pool	Depositary *(Note 5)*	211,057,897(L)	6.90%
Stichting Pensioenfonds ABP	Investment Manager *(Note 5)*	211,057,897(L)	6.90%
SK Holdings Co., Ltd.	Beneficial owner	196,539,292(L)	6.42%
GIC Private Limited	Investment Manager	154,939,045(L)	5.06%

Corporate Governance and Other Information

Notes:

1. The letter "L" denotes the long position in the Shares.

2. Redwood Investment Company, Ltd. ("**Redwood Investment**") is owned as to 42% and 58% by Kurmasana Holdings, LLC and Redwood Investor (Cayman) Limited, respectively, of which Kurmasana Holdings, LLC is wholly-owned by Redwood Investor (Cayman) Limited and the voting rights of Redwood Investor (Cayman) Limited 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) Limited and Kurmasana Holdings, LLC is deemed to be interested in the Shares held by Redwood Investment. Besides, as at 30 June 2021, 31,900,882 Shares (representing 1.04%(L) of the total issued shares of the Company then and inclusive of the interest in 16,899,687 Shares underlying the share options pursuant to the Tier 1 ESOP) were held by Redwood Consulting (Cayman) Limited ("**Redwood Consulting**") as the beneficial owner. Redwood Consulting is owned as to 50% and 50% by Mr Charles Alexander Portes and Mr Stuart Gibson, respectively. Hence each of Mr Charles Alexander Portes and Mr Stuart Gibson is deemed to be interested in Shares held by Redwood Consulting.

3. Laurels Capital Investments Limited 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 Tricor 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 Tricor 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. As at 30 June 2021, 319,658,645 Shares of the total issued shares of the Company (inclusive of the interest in 7,799,856 Shares underlying the share options pursuant to the Tier 1 ESOP) were held by Laurels Capital Investments Limited as the beneficial owner.

4. JD Property Holding Limited ("**JD Property Holding**", formerly known as JD Logistics Holding Limited) is a wholly owned subsidiary of Jingdong Technology Group Corporation. Jingdong Technology 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 Qiangdong Liu (劉強東) through a trust, owned 13.5% of the total outstanding ordinary shares and 72.9% of the total outstanding voting power of JD.com, Inc. as of February 28, 2021. Therefore, each of Jingdong Technology Group Corporation, JD.com, Inc., Max Smart Limited and Mr Qiangdong Liu is deemed to have beneficial ownership over the Shares held by JD Property Holding. UBS Trustees (B.V.I.) Limited 100% controls UBS Nominees Limited, and Max Smart Limited is 100% directly held by UBS Nominees Limited. Therefore, each of UBS Trustees (B.V.I.) Limited and UBS Nominees Limited is deemed to have beneficial ownership over the shares held by Max Smart Limited.

5. APG Asset Management N.V. ("**APG-AM**") is the investment manager of Stichting Depositary APG Strategic Real Estate Pool ("**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 Pensioenfonds ABP, which is an investor in APG Strategic Real Estate Pool. Each of Stichting Pensioenfonds ABP, APG-AM and APG Groep N.V., is therefore deemed to be interested in the Shares held by APG-Stichting.

Save as disclosed above, as at 30 June 2021, the Directors were not aware of any persons (who were not Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register of the Company referred to therein.

KM ESOP, TIER 1 ESOP, POST-IPO SHARE OPTION SCHEME AND THE LONG TERM INCENTIVE SCHEME

1. KM ESOP

Below 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

The purpose of the KM ESOP is to incentivise 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) Classes of shares that may be issued

Under the KM ESOP, ordinary shares may be issued. For the six months ended 30 June 2021, the Company has issued 498,279 ordinary shares under the KM ESOP.

(iv) Maximum number of shares

At 30 June 2021, 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 24,587,547 Shares (approximately 0.80% of the issued share capital of the Company as at 30 June 2021).

(v) Maximum entitlement of each participant

The scheme does not set a limit of maximum entitlement of each participant under the scheme.

(vi) Period within which the securities must be taken up under 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) 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 ("**Rights on Death, Retirement, Injury and Disability**").

(d) 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 ("**Effect of Dismissal or Ceasing Employment**").

(e) the date on which a participant ceases to be an Eligible Person in any circumstances other than those referred to in "Rights on Death, Retirement, Injury, Disability" and "Effect of Dismissal or Ceasing Employment" above;

(f) 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 ("**Rights on Winding-up**").

(g) subject to the paragraph headed "Rights on Winding-Up" above, 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);

(h) subject to the paragraph headed "Rights on Winding-Up" above, 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);

Corporate Governance and Other Information

(i) the participant being declared bankrupt;

(j) the participant transferring, assigning, charging or otherwise disposing of the options unless in breach of the terms of the KM ESOP;

(k) as soon as any condition of exercise imposed can no longer in the opinion of the Board be met; or

(l) 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 of Association 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.

(vii) Minimum period for which an option must be held before it can be exercised
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.

(viii) Subscription price for the shares, consideration for the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid
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 the Company a written notice of exercise in the prescribed form. The participant may, to the extent permitted by the Company and any applicable laws or regulations, 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 (i.e. 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) or net cash settlement arrangement (i.e. 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).

(ix) Basis of determining the exercise price
The Board decided the option price which was 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.

(x) The remaining life of the scheme and details of exercise of the options
The term of the KM ESOP will terminate on the tenth anniversary of the commencement date being 24 November 2017 or at any earlier time determined by the Board. Termination of the KM ESOP will not affect options granted before termination.

(xi) **Exercise price, grant date and vesting schedule**

			Number of options			
Exercise price (USD)	**Grant date**	**Vesting Period**	**Held at 1 January 2021**	**Exercised during the period**	**Cancelled during the period**	**Held at 30 June 2021**
0.2520	February 2014	All vested	–	–	–	–
0.4722	December 2017	Varies from 3 to 4 years and all vested	100,020	–	–	100,020
0.9445	December 2017	4 years	8,455,886	(419,975)	(272,930)	7,762,981
0.9445	January 2018	4 years	10,735,111	–	–	10,735,111
1.1453	August 2018	4 years	873,103	–	–	873,103
0.4722	February 2019	3 years	150,000	–	–	150,000
0.9445	February 2019	3 years	103,080	(103,080)	–	–
1.3655	February 2019	4 years	948,494	–	–	948,494
1.5172	February 2019	4 years	3,018,312	(407,020)	–	2,611,292
0.9445	May 2019	Varies from 3 to 4 years and all vested	780,400	–	–	780,400
1.5172	May 2019	4 years	626,146	–	–	626,146
			25,790,552	(930,075)	(272,930)	24,587,547

No further options will be issued under the KM ESOP in the future.

During the six months ended 30 June 2021, since all options holders opted for net share settlement method in lieu of paying in full the exercise price for the number of shares over which the option was exercised, only a net total of 498,279 ordinary shares were issued by the Company for the six months ended 30 June 2021 in satisfaction of the 930,075 options so exercised. The shares were issued at nominal value of US$0.001.

2. Tier 1 ESOP

Below is a summary of the principal terms of the Tier 1 ESOP of the Company. The terms of the Tier 1 ESOP are not subject to the provisions of Chapter 17 of the Listing Rules.

(i) **Purpose**

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 the Company. The options were 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 the Group.

(ii) **Selected participants**

WP OCIM One LLC *(Note 1)*, Laurels Capital Investments Limited ("**Laurels**"), and Redwood Consulting (Cayman) Limited ("**Redwood Consulting**").

Note:

1. By reference to the announcements dated 24 November 2020 and 30 December 2020, Laurels Capital Investments Limited entered into a sale and purchase agreement dated 23 December 2020 in respect of an acquisition of 30,000,000 shares of the Company and 3,899,928 options in respect of shares of the Company, both from WP OCIM One LLC.

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(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) Classes of shares that may be issued under the Tier 1 ESOP
Under the Tier 1 ESOP, ordinary shares may be issued. For the six months ended 30 June 2021, no ordinary shares were issued.

(vi) Maximum number of shares
The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Tier 1 ESOP at any time shall not exceed 100,068,726 Shares.

(vii) Exercise price
The Exercise Price is US$0.46 per option.

(viii) 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 until 20 January 2021 (the "**Vesting Period**").

(ix) 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.

(x) 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 the 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 the Company;

(e) there is a sale of all or substantially all of the shares in a project company or member of the 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 the 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 the Company.

(xi) 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 20 January 2016, being the completion date of the merger between e-Shang Cayman Limited, ESR Singapore Pte. Ltd. and Redwood Asian Investments Ltd., pursuant to the Merger Agreement in January 2016;

(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 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; or

(c) ceases to be employed due to dismissal without cause, the Relevant Options will vest in full.

(xii) 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.

(xiii) Rights on a compromise or arrangement

If the court sanctions a compromise or arrangement between the Company and its Shareholders, provided an option is not to be exercised under the paragraph headed "Rights on reorganisation 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.

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(xiv) 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 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.

(xv) Rights on reorganisation 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.

(xvi) Outstanding options granted under the Tier 1 ESOP

As at 30 June 2021, options to subscribe for an aggregate of 24,699,543 Shares, representing approximately 0.81% of the issued shares of the Company, are outstanding. Details of the movement of the options and holders are set out below:

Name of Participant	Held at 1 January 2021	Exercised during the period	Cancelled during the period	Held at 30 June 2021
Director				
Mr Jinchu Shen [Notes a, c]	7,799,856	–	–	7,799,856
Mr Charles Alexander Portes and Mr Stuart Gibson [Notes b, c]	16,899,687	–	–	16,899,687
	24,699,543	–	–	24,699,543

Notes:

(a) The options are granted to Laurels Capital Investments Limited. Laurels Capital Investments Limited 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 options held by The Shen Trust solely in his capacity as the sole shareholder of the settlor of The Shen Trust.

(b) The options are granted to Redwood Consulting (Cayman) Limited. Redwood Consulting (Cayman) Limited 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 is deemed to be interested in options held by Redwood Consulting (Cayman) Limited.

(c) The options are granted on 20 April 2017 at exercise price of US$0.46. The vesting period of above outstanding options is vested daily on a straight line basis to 20 January 2021.

No further options will be issued under the Tier 1 ESOP in the future. No share options lapsed or were exercised or cancelled for the six months ended 30 June 2021.

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 12 October 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, at 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) Classes of shares that may be issued under the Post-IPO Share Option Scheme

Ordinary shares

(iv) 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.

(v) 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**").

(vi) 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.

(vii) 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.

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(viii) **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.

(ix) **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.

(x) **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. The remaining life of the Post-IPO Share Option Scheme is about 8 years and 3 months as at the date of this report.

(xi) **Exercise price, grant date and vesting schedule**

Date of Grant	Exercise price	Vesting Period	Held at 1 January 2021	Granted during the period	Exercised during period	Cancelled/ lapsed during the period	Held at 30 June 2021
Management (other than Directors) and employees 28 December 2020	HK$27.30	One third of the options granted will vest on each of 28 December 2021, 28 December 2022, and 28 December 2023	6,650,000	–	–	–	6,650,000
			6,650,000	–	–	–	6,650,000

Save as disclosed above, no other share option schemes were entered into by the Company.

4. Long Term Incentive Scheme

The following is a summary of the principal terms of the long term incentive scheme (the "**Long Term Incentive Scheme**") adopted and approved by our Shareholders at an annual general meeting held on 2 June 2021 (the "**Adoption Date**").

(i) Purpose

The purpose of the Long Term Incentive Scheme is to attract skilled and experienced personnel, to incentivise them to remain with the Group and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company.

(ii) Who may join

Those eligible to participate in the Long Term Incentive Scheme include employees, executive Directors and non-executive Directors (including independent non-executive Directors), agents or consultants of the Company or its Subsidiary who the Board considers, in its absolute discretion, have contributed or will contribute to the Group ("**Participants**"). Participants may receive, at the absolute discretion of the Board, Awards under the Long Term Incentive Scheme. Each Participant who accepts the offer of the grant of an award ("**Award**", an award of RSUs and/or PSUs to be granted to a Participant under the Long Term Incentive Scheme (where a performance share unit ("**PSU**"), being a contingent right to receive a Share (or a Cash Payment) subject to certain terms and conditions (including performance-based vesting conditions) as set out in the Long Term Incentive Scheme and the relevant grant letter; a restricted share unit ("**RSU**"), being a contingent right to receive a Share (or a Cash Payment) subject to certain terms and conditions (including performance-based vesting conditions) as set out in the Long Term Incentive Scheme and the relevant grant letter) under the Long Term Incentive Scheme is a "Grantee".

(iii) Administration

The Long Term Incentive Scheme will be subject to the administration of the Board (or a duly authorised committee of the Board). The Board's decision as to all matters arising in relation to the Long Term Incentive Scheme or its interpretation or effect shall be final and binding on all parties.

The Company may also appoint a professional trustee to assist with the administration and vesting of the Awards. The Company may to the extent permitted by the Companies Law and the Listing Rules: (a) allot and issue Shares to the trustee to be held by the trustee pending the vesting of Awards granted and which will be used to satisfy Awards upon vesting; and/or (b) direct and procure the trustee to make on-market purchases of Shares to satisfy Awards upon vesting. The Company shall to the extent permitted by the Companies Law provide sufficient funds to the trustee by whatever means as the Board may in its absolute discretion determine to enable the trustee to satisfy its obligations in connection with the administration and vesting of Awards.

(iv) Term

The Long Term Incentive Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further Awards will be offered but the provisions of the Long Term Incentive Scheme shall remain in full force and effect to the extent necessary to give effect to the vesting of any Awards already granted. Awards granted during 10 year term shall continue to be valid in accordance with their terms of grant after the end of the term.

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(v) **Grant of awards**
The Board may grant an Award to a Participant by a notice ("**Grant Letter**") in such form as the Board may from time to time determine requiring the Participant to undertake to hold the Award on the terms and conditions on which it is to be granted and to be bound by the terms of the Long Term Incentive Scheme.

(vi) **Timing restrictions**
The Company may not grant any Award to any Participant after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published or disclosed in accordance with the requirements of the Listing Rules. In particular, the Company may not grant any Award during the period commencing one month immediately before the earlier of:

(a) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(b) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the actual publication of the results announcement, and where a grant is made to a Director:

(a) notwithstanding paragraph (a) and (b) above, no Award shall be granted 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 quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(vii) **Grant to connected persons**
Any grant to any Director, chief executive or substantial Shareholder (other than an independent non-executive Director), of the Company, or any of their respective associates, shall be subject to the prior approval of the Remuneration Committee of the Company (excluding the independent non-executive Director who is the proposed Grantee of the grant in question) and all grants to connected persons shall be subject to compliance with the requirements of the Companies Law and the Listing Rules, including where necessary the prior approval of the Shareholders.

(viii) **Satisfaction of awards**
Subject to and in accordance with the terms of the Long Term Incentive Scheme and the specific terms applicable to each Award, an Award shall vest on the date(s) specified in the Grant Letter (the "**Vesting Date**"). If the vesting of an Award is subject to the satisfaction of performance-based, time-based and/or other conditions and such conditions are not satisfied, the Award shall lapse automatically in respect of such proportion of the underlying Shares as have not vested.

The Board may in its absolute discretion, determine whether the whole or any part of the Award granted or to be granted under the Long Term Incentive Scheme shall be satisfied upon vesting by the allotment and issue or transfer of Shares or by a cash payment ("**Cash Payment**", for the purpose of the Long Term Incentive Scheme, means a payment in cash made by the Company to Participant upon the vesting of an Award in lieu of Shares, based on the formula of A x B, where: A = the number of Shares in respect of which the Award has vested, and B = the closing price of a Share as stated in the daily quotation sheets issued by the Stock Exchange of a Share on the relevant Vesting Date.) Any such determination may be made on a case-by-case basis or generally at any time on or around the grant date or relevant Vesting Date of the Award in question, and the Board shall notify the relevant Grantees of such determination. Awards shall be satisfied as soon as practicable on or after the relevant Vesting Date and in any event no later than 30 days following the relevant Vesting Date, at the Company's absolute discretion by:

(a) the Company allotting and issuing the relevant number of Shares to the Grantee credited as fully paid; or

(b) the Company directing and procuring the trustee to transfer to the Grantee the relevant number of Shares; or

(c) the Company paying or procuring the payment of a Cash Payment (and the Company may in its discretion pay or procure the payment of the Cash Payment in Hong Kong dollars or the equivalent in the Grantee's local currency (converted on such basis of exchange rate as the Company may in its discretion determine).

(ix) Rights attached to the shares

A Grantee shall have no rights in respect of any Shares granted until such Shares have been allotted and issued or transferred to the Grantee, including in relation to any dividends or distributions in respect of such Shares.

(x) Corporate events

x.i. In the event of:

(a) a general offer (whether by way of take-over offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror), the Company shall use its best endeavours to procure that such offer is extended to all Grantees (on the same terms mutatis mutandis, and assuming that they will become Shareholders). If such offer, having been approved in accordance with applicable laws and regulatory requirements becomes, or is declared unconditional, the Awards shall, subject to paragraph x.ii. below, vest in whole or in part on a date specified by the Board. All parts of an Award which have not vested shall lapse immediately; or

(b) a notice is given by the Company to its members to convene a general meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company or an order of the court is made for the winding-up of the Company, the Company shall give notice thereof to all Grantees on the same day as such resolution is passed or order is made. At the sole and absolute discretion of the Board, any part of an Award which has not yet vested shall be accelerated in whole or in part (as specified in the Grantee's notice) immediately before the passing of such resolution, whereupon the Grantee will be entitled to receive out of the assets available in the liquidation pari passu with the Shareholders such sum as would have been received in respect of the Shares the subject of such election. Any part of an Award which has not been accelerated shall lapse immediately;

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(c) a compromise or arrangement between the Company and its Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies pursuant to the Companies Ordinance ((Chapter 622 of the Laws of Hong Kong) as amended from time to time) or the Companies Act of Cayman Islands (as amended from time to time) (the "**Companies Act**"), the Company shall give notice thereof to all Grantees (together with a notice of the existence of the provisions of this paragraph x) on the same day as it dispatches to each member or creditor of the Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon any part of an Award which has not yet vested may be accelerated in whole or in part at any time prior to the day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement. Upon such compromise or arrangement becoming effective, all Awards shall, to the extent that they have not accelerated, lapse immediately. The Board shall endeavour to procure that the Shares issued as a result of the vesting of Awards (or any part thereof) under this paragraph x.i(c) shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the court or upon any other terms as may be approved by such court) the rights of Grantees shall with effect from the date of the making of the order by the court be restored in full and all prior acceleration and lapse of the Awards shall be reversed and the Awards shall continue to vest in accordance with the original vesting schedule (but subject to the other terms of the Scheme) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid acceleration, lapse and reversal.

x.ii. The number of Shares in respect of which any Award is accelerated or vests pursuant to this paragraph x (if any) and the date or dates on which any such vesting will occur shall be determined by the Board in its absolute discretion by reference to factors which may include (a) the extent to which any performance or other conditions to vesting have been satisfied as at the relevant event and (b) the proportion of the period from the date of the grant to the normal Vesting Date that has elapsed as at the relevant event.

(xi) Maximum number of shares

The maximum number of shares in respect of which Awards may be granted under the Long Term Incentive Scheme (the "**Maximum Number**") when aggregated with the maximum number of Shares in respect of any share options to be granted under the Post-IPO Share Option Scheme is that number which is equal to 10% of the total number of Shares in issue on the Adoption Date.

(xii) Renewal of maximum number of shares

xii.i. The Maximum Number of Shares may be increased or "refreshed", with the approval of the Shareholders in general meeting, up to a maximum of 10% of the Shares in issue at the date of such Shareholders' approval, inclusive of the maximum number of Shares in respect of which share options may be granted under the Post-IPO Share Option Scheme; and the Company may obtain a separate approval from its Shareholders in general meeting to permit the granting of Awards which will result in the number of Shares in respect of all Awards granted exceeding the then Maximum Number of Shares provided that such Awards are granted only to Participants specifically identified by the Company before Shareholders' approval is sought.

xii.ii. For the avoidance of doubt, (a) in calculating whether the Maximum Number of Shares has been exceeded, Awards under the Long Term Incentive Scheme and share options granted under the Post-IPO Share Option Scheme which have lapsed in accordance with the terms of the relevant scheme or which have been satisfied by the making of a Cash Payment shall not be counted, and (b) if the Maximum Number of Shares is increased or refreshed pursuant to this paragraph xii, Awards granted under the Long Term Incentive Scheme or share options granted under the Post-IPO Share Option Scheme (including without limitation those outstanding, cancelled in accordance with the relevant scheme and those which have vested) prior thereto shall not be counted for the purpose of calculating whether the new Maximum Number of Shares has been exceeded.

(xiii) Transfer restrictions

An Award shall be personal to the Grantee and shall not be assignable and the Grantee shall not in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to the Award (save that, for the avoidance of doubt, the Grantee may nominate a nominee to hold the Shares to be issued pursuant to the vesting of an Award on trust for the sole benefit of such Grantee provided that evidence of such trust arrangement between the Grantee and the nominee shall be provided to the satisfaction of the Company). However, following the Grantee's death, Awards may be transferred by will or by the laws of testacy and distribution.

(xiv) Lapse of awards

xiv.i. Unless otherwise determined by the Board in its sole and absolute discretion, Awards (or any part thereof) which have not vested shall lapse automatically on the earliest of:

(a) the date on which the Grantee ceases to be an employee, Director, agent or consultant of the Company or any Subsidiary by reason of the termination of his employment, office, agency or consultancy on any one or more grounds of serious misconduct by the Grantee, or if the Grantee has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board or the board of directors of the relevant Subsidiary (as the case may be)) 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 Grantee's service contract, terms of office, or agency or consultancy agreement or arrangement with the Company or the relevant Subsidiary (as the case may be);

(b) 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;

(c) the date on which the Board shall exercise the Company's right to cancel an Award (or any part thereof) at any time after the Grantee commits a breach of paragraph xiii or the Award (or any part thereof) is cancelled in accordance with paragraph xiv.iv below; or

(d) in respect an Award which is subject to performance or other vesting condition(s), the date on which the condition(s) to vesting of the Award is not satisfied (save that the Award shall lapse only in respect of such proportion of underlying Shares as have not vested because of the application of such performance or other vesting condition(s); or

(e) the date on which the Award is not accelerated or vested (and therefore lapse) pursuant to paragraph x.i above.

Corporate Governance and Other Information

xiv.ii. The Board shall have the right to determine whether the Grantee's employment, office, agency, or consultancy has been terminated the reasons set out in paragraph xiv.i(a) above, the effective date of such termination and such determination by the Board shall be final and conclusive.

xiv.iii. If the Grantee's employment, service or engagement with a member of the Group is terminated for any reason other than the reasons set out in paragraph xiv.i(a) above (including due to resignation, retirement, death, disability or non-renewal of the employment or service agreement (or equivalent) upon its expiration) prior to the vesting of any Award, the Board shall determine in its absolute discretion whether any unvested Award shall vest, the extent to which it shall vest and when such Award (or part thereof) shall vest. If no such determination is made, the Award shall lapse with effect from date on which the Grantee's employment, service or engagement is terminated. To the extent that the Board determines that such Award shall not vest, such Award shall lapse automatically with effect from such termination date.

xiv.iv. The Board may at any time cancel any Award previously granted but which have not yet vested and may, at its discretion, make a grant of new Award to the same Grantee. Where an Award is cancelled and a new Award is intended to be granted to the same Participant, the Scheme must have available unissued Shares (excluding the cancelled Shares(s)) within the Maximum Number as mentioned in paragraph xii. ii.

(xv) Adjustments

In the event of an alteration in the capital structure of the Company by way of a capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares or reduction of the share capital of the Company in accordance with applicable laws and regulatory requirements (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party) whilst any Awards has not vested or has vested but has not yet been satisfied, such corresponding adjustments (if any) shall be made to the nominal value or number of Shares subject to Awards and/or the Maximum Number of Shares. Subject to the foregoing, any adjustment shall be made on the basis that the Grantee shall have the same proportion of the issued share capital of the Company for which any Grantee would have been entitled to had the Award held by him vested immediately prior to such adjustments but not greater than that to which he was entitled before such adjustment, but so that no such adjustment shall be made to the effect of which would be to enable any Share to be issued at less than its nominal value, or to increase the proportion of the issued share capital of the Company for which any Grantee would have been entitled to had the Award held by him vested immediately prior to such adjustments.

In respect of any such adjustments, the auditors of the Company from time to time or an independent financial adviser to the Company (as the case may be) must confirm to the Board in writing that the adjustments are in their opinion fair and reasonable.

(xvi) Alteration

Save as provided below, the Board may alter any of the terms of the Long Term Incentive Scheme at any time. The Board may amend any performance and/or other conditions that applies to an Award if there is an event that causes it to consider that the performance and/or other conditions should be amended. The Long Term Incentive Scheme so altered must comply with the requirements of the Companies Law and the Listing Rules.

(xvii) Cancellation

The Board may at any time cancel Awards previously granted but which have not yet vested. Where the Company cancels Awards and offers new Awards to the same Grantee, the offer of such new Awards may only be made with available unissued Shares (excluding the cancelled Share(s)) within the Maximum Number within the limits set out in paragraph xi above.

(xviii) Termination

The Company by ordinary resolution in general meeting or the Board may at any time terminate the Long Term Incentive Scheme and in such event, no further Awards may be offered but in all other respects the terms of the Long Term Incentive Scheme shall remain in force to the extent necessary to give effect to the vesting of Awards which are granted during the term of the Long Term Incentive Scheme and which remain unvested immediately prior to the termination of the Long Term Incentive Scheme.

In order to implement the Long Term Incentive Scheme described above and to facilitate the granting of Awards of RSUs/PSUs, an ordinary resolution was approved at the annual general meeting held on 2 June 2021 for the granting of a mandate to the Directors to grant Awards under the Long Term Incentive Scheme in respect of a maximum of 10,000,000 new Shares (the "**Scheme Mandate**"), representing 0.33% of the total number of Shares in issue as at the date of passing of such ordinary resolution during the period ("**Relevant Period**", until whichever is the earlier of (i) the conclusion of the next annual general meeting of the Company; (ii) the revocation or variation of the mandate given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; or (iii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, the Companies Law of the Cayman Islands or any other applicable law to be held), and allot, issue and deal with Shares underlying the Awards granted under the Long Term Incentive Scheme during the Relevant Period as and when such Awards vest.

No Awards have been granted since the Adoption Date and there are no outstanding Awards as at 30 June 2021.

STAFF AND REMUNERATION

The Group had 606 employees as at 30 June 2021. The Group provided competitive remuneration package to its employees and encouraged training programs to improve their knowledge and skills, and promoted cross-market and cross-cultural cooperation to nurture their sense of belonging to the Group.

The remuneration packages are determined with reference to the experience, level of responsibilities, time commitment and contributions of each individual, the Company's performance and the prevailing market conditions. Any discretionary bonus and other merit payments depend on the profit performance of the Group and individual performance of Directors, senior management and other employees. The remuneration levels are sufficient to attract and retain directors to run the Company successfully without paying more than necessary. The Group reviews its remuneration policy on a regular basis. During the period from 1 January 2021 to 30 June 2021, the remuneration of the Group (including salaries, retirement benefits, other welfares and post employment benefits) to all employees including Directors was amounted to US$57,922,000, representing an increase of 1% compared to period from 1 January 2020 to 30 June 2020.

We have share option schemes in place to act as incentive to recognise the contributions made by the employees, executives, officers and directors of the Group, to retain them for the continuing operation and development of the Group and to attract suitable personnel for further development of the Group. For further details, please refer to the paragraph "KM ESOP, Tier 1 ESOP, Post-IPO share option scheme and Long Term Incentive Scheme" under this section.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2021 (30 June 2020: nil).

The Board's long-term objective is to deliver returns to shareholders that are sustainable and in line with the long-term growth of the Company. It is expected that the addition of ARA Asset Management Limited and its subsidiaries ("**ARA Group**"), with its perpetual/core capital and asset-light/high return on equity approach, will enhance ESR's earnings resilience and ability to pay dividends post completion of the proposed acquisition. Subject to maintaining an optimal capital structure to ensure that adequate capital resources are available for business growth and investment opportunities, the Board will review the dividend policy upon completion of the proposed acquisition of ARA Group, including the merits and timing of future dividend payments.

Corporate Governance and Other Information

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving high corporate governance standards to safeguard the interests of its stakeholders. The Company has applied the principles in the Corporate Governance Code ("**CG Code**") in Appendix 14 of the Listing Rules by conducting its business by reference to the principles of the CG Code and emphasising such principles in the Company's governance framework. It is in the opinion of the Directors that the Company has complied with all the code provisions as set out in the CG Code during the six months ended 30 June 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") contained in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions of the Company by Directors. The Company has adopted a code of conduct regarding all Directors', officers and employees'securities transactions on terms no less exacting than the required standard set out in the Model Code. In response to specific enquiries made, all Directors confirmed that they have complied with the required standards set out in such code regarding their securities transactions throughout their tenure during the six months ended 30 June 2021.

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Changes in the information of directors required to be disclosed under Rule 13.51B(1) of the Listing Rules since the date of annual report 2020 of the Company are set out as follows:

Mr Charles Alexander Portes was re-designated as a non-executive director of the Company with effect from 1 January 2021.

Mr Zhenhui Wang resigned as a non-executive director of the Company with effect from 15 January 2021.

Mr Hu Wei was appointed as a non-executive director of the Company with effect from 2 February 2021.

Mr David Alasdair William Matheson was appointed as a non-executive director of the Company with effect from 30 March 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

PERPETUAL CAPITAL SECURITIES ISSUED

In March 2021, the Company issued S$200 million (approximately US$148.6 million) NC5 fixed rate perpetual resettable step-up subordinated securities at a distribution rate of 5.65% ("**Perpetual Securities NC5 5.65%**") under its US$2.0 billion Multicurrency Debt Issuance Programme. In June 2021, the Company issued a further tranche within the Perpetual Securities NC5 5.65% amounting to S$150 million (approximately US$111.6 million), bringing the aggregate total amount to S$350 million (approximately US$260.2 million).

CONVERTIBLE BONDS ISSUED

In September 2020, the Company completed the issuance of US$350 million 1.50 per cent convertible bonds due 2025 (the "**Bonds**") to professional and institutional investors. The Bonds may be converted into shares of the Company at the conversion price of HK$32.13 per share (subject to adjustment) and assuming full conversion of the Bonds, the Bonds will be converted into 84,427,015 shares, representing approximately 2.77% of the then issued share capital of the Company and approximately 2.69% of the then issued share capital of the Company as enlarged by the issue of such conversion shares (assuming that there is no other change to the issued share capital of the Company). The Bonds are listed and traded on the Singapore Exchange Securities Trading Limited.

The net proceeds from the Bond Issue, after deducting fees, commission and expenses payable in connection with the Bond Issue, was approximately US$345.0 million, which the Company is using for refinancing of existing borrowings, financing of potential acquisition and investment opportunities as well as the working capital requirements and the general corporate purposes of the Group. Based on the net proceeds and assuming the full conversion of the Bonds, the net price per share is approximately HK$31.67. As of 30 June 2021, the net proceeds have been fully utilized for the purposes as disclosed in the Company's announcement dated 10 September 2020.

The Directors believe that the Bond Issue will bring about a diversification of funding sources and expansion of investor base. This is the first convertible bond issue for the Company, and is in line with its capital management strategy.

As of 30 June 2021, there was no conversion of convertible bonds. Details of the convertible bonds balance as of 30 June 2021 is disclosed in the unaudited condensed consolidated financial information Note 17.

ISSUE FOR CASH OF EQUITY SECURITIES

Save for the issue of shares pursuant to the exercise of options granted under the KM ESOP as disclosed on page 27, during the six months ended 30 June 2021, there was no other issue of equity securities (including securities convertible into equity securities) of the Company.

REVIEW OF INTERIM REPORT

The Audit Committee has reviewed the unaudited condensed consolidated financial information for the six months ended 30 June 2021.

Ernst & Young, the Group's external auditor, has carried out a review of the unaudited condensed consolidated financial information for the six months ended 30 June 2021 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.

Independent Review Report

Ernst & Young
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To the shareholders of ESR Cayman Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 43 to 83, which comprises the condensed consolidated statement of financial position of ESR Cayman Limited (the "**Company**") and its subsidiaries (the "**Group**") as at 30 June 2021 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("**IAS 34**") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF 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 of interim financial information 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 Hong Kong 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

19 August 2021

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Notes	2021 (Unaudited) US$'000	2020 (Unaudited) US$'000
		For the six months ended 30 June	
Revenue	3, 4	204,399	197,641
Cost of sales		(30,861)	(60,611)
Gross profit		173,538	137,030
Other income and gains, net	4	212,494	168,794
Administrative expenses		(96,761)	(85,538)
Finance costs	6	(79,810)	(71,659)
Share of profits and losses of joint ventures and associates, net		78,149	43,776
Profit before tax	5	287,610	192,403
Income tax expense	7	(57,915)	(47,747)
Profit for the period		229,695	144,656
Attributable to:			
Owners of the Company		213,947	132,993
Non-controlling interests		15,748	11,663
Profit for the period		229,695	144,656
Earnings per share attributable to ordinary equity holders of the Company	9		
Basic earnings per share		US$0.07	US$0.04
Diluted earnings per share		US$0.07	US$0.04
Profit for the period		229,695	144,656
Other Comprehensive Loss			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(36,261)	(13,280)
Share of other comprehensive loss of joint ventures and associates		(7,309)	(11,289)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		(43,570)	(24,569)
Other comprehensive loss 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		(20,944)	(69,945)
Other comprehensive loss for the period, net of tax		(64,514)	(94,514)
Total comprehensive income for the period		165,181	50,142
Attributable to:			
Owners of the Company		152,135	41,476
Non-controlling interests		13,046	8,666
		165,181	50,142

Condensed Consolidated Statement of Financial Position

30 June 2021

	Notes	30 June 2021 (Unaudited) US$'000	31 December 2020 (Audited) US$'000
NON-CURRENT ASSETS			
Property, plant and equipment		33,042	31,916
Right-of-use assets		11,990	12,475
Investments in joint ventures and associates	10	1,272,235	1,082,290
Financial assets at fair value through profit or loss	11	661,622	678,864
Financial assets at fair value through other comprehensive income	12	717,538	878,300
Investment properties	13	3,598,239	2,663,717
Goodwill		673,131	340,243
Other intangible assets		106,834	86,663
Other non-current assets		74,549	62,555
Deferred tax assets		23,366	24,261
Total non-current assets		7,172,546	5,861,284
CURRENT ASSETS			
Trade receivables	14	125,038	94,673
Prepayments, other receivables and other assets		119,624	209,322
Cash and bank balances		1,132,605	1,515,430
		1,377,267	1,819,425
Assets classified as held for sale		–	6,732
Total current assets		1,377,267	1,826,157
CURRENT LIABILITIES			
Bank and other borrowings	15	1,392,919	733,660
Lease liabilities		5,980	6,568
Trade payables, accruals and other payables	16	199,067	226,314
Income tax payable		22,158	19,120
Total current liabilities		1,620,124	985,662
NET CURRENT (LIABILITIES)/ASSETS		(242,857)	840,495
TOTAL ASSETS LESS CURRENT LIABILITIES		6,929,689	6,701,779

Condensed Consolidated Statement of Financial Position

30 June 2021

	Notes	**30 June 2021 (Unaudited) US$'000**	**31 December 2020 (Audited) US$'000**
NON-CURRENT LIABILITIES			
Deferred tax liabilities		313,550	280,973
Bank and other borrowings	15	2,359,696	2,561,618
Lease liabilities		6,493	6,825
Other non-current liabilities		45,880	47,158
Total non-current liabilities		2,725,619	2,896,574
NET ASSETS		4,204,070	3,805,205
EQUITY			
Equity attributable to owners of the Company			
Issued capital	22	3,060	3,060
Perpetual capital securities	24	259,649	–
Equity components of convertible bonds	17	48,501	48,501
Other reserves		3,697,321	3,544,648
		4,008,531	3,596,209
Non-controlling interests		195,539	208,996
TOTAL EQUITY		4,204,070	3,805,205

Mr Jeffrey David Perlman
Director

Mr Jinchu Shen
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the Company													
	Issued capital (note 22)	Share premium* (note 22)	Statutory reserve*	Merger reserve*	Share option reserve* (note 23)	Exchange fluctuation reserve*	Retained profits*	Investment reserve (non-recycling)*	Equity components of convertible bonds (note 17)	Perpetual capital securities (note 24)	Other reserve*	Total	Non-controlling interests	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
As at 1 January 2021 (audited)	3,060	2,064,135	2,735	56,358	18,511	108,443	1,131,490	133,758	48,501	-	29,218	3,596,209	208,996	3,805,205
Profit for the period	-	-	-	-	-	-	213,947	-	-	-	-	213,947	15,748	229,695
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	(21,820)	-	-	-	(21,820)	876	(20,944)
Exchange differences on translation of foreign operations	-	-	-	-	-	(32,683)	-	-	-	-	-	(32,683)	(3,578)	(36,261)
Share of other comprehensive loss of joint ventures and associates	-	-	-	-	-	(7,309)	-	-	-	-	-	(7,309)	-	(7,309)
Total comprehensive income for the period	-	-	-	-	-	(39,992)	213,947	(21,820)	-	-	-	152,135	13,046	165,181
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	26,962	(26,962)	-	-	-	-	-	-
Profit attributable to holders of perpetual capital securities (note 24)	-	-	-	-	-	-	(3,321)	-	-	3,321	-	-	-	-
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	14,979	14,979
Dividend distributions to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(41,482)	(41,482)
Issuance of perpetual capital securities, net of issue costs (note 24)	-	-	-	-	-	-	-	-	-	256,328	-	256,328	-	256,328
Issue of shares upon exercise of share options (note 22)	-#	(784)	-	-	(529)	-	-	-	-	-	-	(1,313)	-	(1,313)
Transfer of share option reserve upon the forfeiture of share options	-	-	-	-	(206)	-	206	-	-	-	-	-	-	-
Equity-settled share option arrangement	-	-	-	-	5,172	-	-	-	-	-	-	5,172	-	5,172
As at 30 June 2021 (unaudited)	3,060	2,063,351	2,735	56,358	22,948	68,451	1,369,284	84,976	48,501	259,649	29,218	4,008,531	195,539	4,204,070

* These reserve accounts comprise the consolidated reserves of US$3,697,321,000 in the consolidated statement of financial position as at 30 June 2021 (31 December 2020: US$3,544,648,000).

\# Denotes less than US$1,000

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the Company												
	Issued capital (note 22) US$'000	Share premium (note 22) US$'000	Statutory reserve US$'000	Merger reserve US$'000	Share option reserve (note 23) US$'000	Exchange fluctuation reserve US$'000	Retained profits US$'000	Investment reserve (non-recycling) US$'000	Perpetual capital securities (note 24) US$'000	Other reserve US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As at 1 January 2020 (audited)	3,037	2,042,526	1,753	56,358	25,801	(132,622)	853,224	49,580	97,379	29,218	3,026,254	224,858	3,251,112
Profit for the period	-	-	-	-	-	-	132,993	-	-	-	132,993	11,663	144,656
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	(67,280)	-	-	(67,280)	(2,665)	(69,945)
Exchange differences on translation of foreign operations	-	-	-	-	-	(12,948)	-	-	-	-	(12,948)	(332)	(13,280)
Share of other comprehensive loss of joint ventures and associates	-	-	-	-	-	(11,289)	-	-	-	-	(11,289)	-	(11,289)
Total comprehensive income for the period	-	-	-	-	-	(24,237)	132,993	(67,280)	-	-	41,476	8,666	50,142
Profit attributable to holders of perpetual capital securities (note 24)	-	-	-	-	-	-	(4,125)	-	4,125	-	-	-	-
Distribution paid to holders of perpetual capital securities (note 24)	-	-	-	-	-	-	-	-	(4,125)	-	(4,125)	-	(4,125)
Disposal of subsidiaries	-	-	-	-	-	6,623	-	-	-	-	6,623	(1,969)	4,654
Contribution from non-controlling interests	-	-	-	-	-	-	(1,247)	-	-	-	(1,247)	4,267	3,020
Acquisition of non-controlling interests	-	-	-	-	-	-	(369)	-	-	-	(369)	(692)	(1,061)
Dividend distributions to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(27,831)	(27,831)
Redemption of perpetual capital securities (note 24)	-	-	-	-	-	-	(1,221)	-	(97,379)	-	(98,600)	-	(98,600)
Share repurchased and cancellation (note 22)	(1)	(893)	-	-	-	-	-	-	-	-	(894)	-	(894)
Issue of shares upon exercise of share options (note 22)	14	17,350	-	-	(12,774)	-	-	-	-	-	4,590	-	4,590
Transfer of share option reserve upon the forfeiture of share options	-	-	-	-	(4)	-	4	-	-	-	-	-	-
Equity-settled share option arrangement	-	-	-	-	8,078	-	-	-	-	-	8,078	-	8,078
As at 30 June 2020 (unaudited)	3,050	2,058,983	1,753	56,358	21,101	(150,236)	979,259	(17,700)	-	29,218	2,981,786	207,299	3,189,085

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June 2021 (Unaudited) US$'000	2020 (Unaudited) US$'000
Cash flows from operating activities			
Profit before tax		287,610	192,403
Adjustments for:			
Amortisation of other intangible assets	5	3,238	2,635
Changes in carrying value of financial assets and financial liabilities at fair value through profit or loss	4	8,005	(978)
Depreciation of property, plant and equipment	5	1,770	1,547
Depreciation of right-of-use assets	5	3,258	2,951
Dilution of interests in investment in a joint venture	4	–	2,320
Dividend income	4	(43,006)	(35,839)
Equity-settled share option expense	5	5,172	8,078
Fair value gains on completed investment properties	4	(63,253)	(26,063)
Fair value gains on investment properties under construction	4	(102,648)	(99,708)
Finance costs	6	79,810	71,659
Gain on disposal of asset held for sale	4	(3,035)	–
Gain on disposal of interests in a joint venture and an associate	4	(5,289)	–
Gain on disposal of subsidiaries	4	–	(5,494)
Interest income	4	(2,236)	(1,769)
Loss on disposal of property, plant and equipment	5	–	53
Share of profits and losses of joint ventures and associates, net		(78,149)	(43,776)
		91,247	68,019
Increase in trade receivables		(32,277)	(15,397)
(Increase)/Decrease in prepayments, other receivables and other assets		(3,353)	17,539
Decrease in trade payables, accruals and other payables		(23,209)	(20,410)
Cash flows generated from operations		32,408	49,751
Income tax paid		(24,335)	(23,600)
Net cash flows generated from operating activities		8,073	26,151

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Note	For the six months ended 30 June 2021 (Unaudited) US$'000	2020 (Unaudited) US$'000
Cash flows used in investing activities			
Acquisition of subsidiaries		(470,622)	(16,211)
Additions of investment properties		(561,179)	(173,934)
Additions of other intangible assets		(81)	(20)
Capital injection in joint ventures, net		(182,972)	(63,151)
Disposal of financial assets at fair value through other comprehensive income		149,766	–
Disposal of property, plant and equipment		–	38
Disposal of subsidiaries		–	(16,068)
Distributions from financial assets at fair value through profits or loss		30,301	25,422
Dividend income from financial assets at fair value through other comprehensive income		12,575	8,158
Dividend income from financial assets at fair value through profits or loss		29,058	24,356
Proceeds from sale of interests in a joint venture and an associate		68,365	–
(Purchase of)/Proceeds from other financial instruments		(10,126)	1,494
Interest received		1,988	1,627
Loans to directors of the Company	21	–	(9,200)
Prepayment from a joint venture relating to an asset held for sale		–	10,051
Purchase of financial assets at fair value through other comprehensive income		(3,801)	(64,748)
Purchase of financial assets at fair value through profit or loss		(43,683)	(39,542)
Purchases of property, plant and equipment		(4,454)	(919)
Recoverable indirect taxes paid upon acquisition of investment properties		(14,598)	–
Release of non-pledged fixed time deposits with a maturity period over three months		1,986	881
Repayment from/(Advances to) related parties		3,034	(21)
Repayment from a joint venture		–	59,485
Net cash flows used in investing activities		(994,443)	(252,302)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Note	For the six months ended 30 June 2021 (Unaudited) US$'000	2020 (Unaudited) US$'000
Cash flows from financing activities			
Accrued distributions from perpetual capital security holders		1,572	–
Capital contributions from non-controlling interests		14,520	3,020
Distribution paid to holders of perpetual capital securities		–	(4,125)
Dividend distributions to non-controlling interests		(41,023)	(26,721)
Increase in restricted cash		(21,591)	(42,155)
Increase in pledged bank deposits for bank loans		(1,154)	(198)
Interest on bank and other borrowings paid		(84,705)	(73,680)
Principal portion of lease payments		(3,812)	(3,257)
Proceeds from bank and other borrowings		1,019,530	599,044
Proceeds from exercise of employee share options		–	4,590
Proceeds from issuance of perpetual capital securities, net	24	256,328	–
Repayments of bank and other borrowings		(519,933)	(94,091)
Redemption of perpetual capital securities, net		–	(98,600)
Share repurchased		–	(894)
Net cash generated from financing activities		619,732	262,933
Net (decrease)/increase in cash and cash equivalents		(366,638)	36,782
Cash and cash equivalents at beginning of period		1,404,068	826,682
Effect of foreign exchange rate changes, net		(36,946)	(12,215)
Cash and cash equivalents at end of period		1,000,484	851,249
Analysis of balances of cash and cash equivalents			
Cash and bank balances		1,132,605	946,647
Cash and short-term deposits attributable to the disposal group held for sale		–	13,793
Non-pledged fixed time deposits with a maturity period over three months		(326)	–
Pledged bank deposits		(50,763)	(45,998)
Restricted bank balances		(81,032)	(63,193)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows		1,000,484	851,249

Notes to Condensed Consolidated Financial Information

30 June 2021

1. CORPORATE INFORMATION

ESR 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 14 June 2011. The address of the registered office was c/o Walkers Corporate Limited, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. With effect from 1 February 2021, the registered office of the Company changed to Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company and its subsidiaries (together, the "**Group**") are principally engaged in logistics, data centres and industrial real estate development, leasing, management and fund management platforms in the Asia Pacific region.

2.1 BASIS OF PREPARATION

The condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

They have been prepared under the historical cost convention, except for investment properties, 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. Disposal group held for sale is stated at the lower of its carrying amount and fair value less cost to sell. These financial statements are presented in US dollars, with values rounded to nearest thousand except when otherwise indicated.

The condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions*

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

Notes to Condensed Consolidated Financial Information

30 June 2021

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

The Group had certain interest-bearing bank and other borrowings denominated in foreign currencies based on the London Interbank Offered Rate and the Tokyo Interbank Offered Rate as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the "economically equivalent" criterion is met.

(b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendments did not have any impact on the Group's condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

The Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) 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 real estate investment trusts ("**REITs**") the Group manages, from which the Group derives dividend income, pro rata earnings and/or pro rata value appreciation, and (iii) other investments.

(b) Fund management segment earns fee income for managing assets on behalf of the Group's capital partners via funds and investment vehicles. 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 internal rate of return and after the Group's capital partners have received their targeted capital returns.

(c) Development segment earns development profit through the development, construction and sale of completed investment properties. The development profit includes construction income, fair value gains on investment properties under construction and gains on disposal of subsidiaries. The Group also derives pro rata earnings and pro rata value appreciation through the development activities of the development funds and investment vehicles managed by the Group in proportion to Group's co-investments in those funds and investment vehicles.

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 differences, depreciation and amortisation, equity-settled share option expense, as well as corporate expenses are excluded from such measurement.

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.

Notes to Condensed Consolidated Financial Information

30 June 2021

3. OPERATING SEGMENT INFORMATION (continued)

	Six months ended 30 June 2021			
	Investment (Unaudited) US$'000	Fund management (Unaudited) US$'000	Development (Unaudited) US$'000	Total (Unaudited) US$'000
Segment revenue	53,786	123,872	26,741	204,399
Revenue from continuing operations	53,786	123,872	26,741	204,399
Operating expenses	(8,914)	(26,724)	(40,579)#	(76,217)
Fair value gains on investment properties	63,253	–	102,648	165,901
Changes in carrying value of financial assets and liabilities at fair value through profit or loss	(13,963)	–	5,958	(8,005)
Share of profits and losses of joint ventures and associates, net	42,700	–	35,449	78,149
Gain on sale of interests in a joint venture and an associate	3,251	–	2,038	5,289
Gain on disposal of asset held for sale	–	–	3,035	3,035
Dividend income	43,006	–	–	43,006
Segment result	183,119	97,148	135,290	415,557
Reconciliation:				
Depreciation and amortisation				(8,266)
Exchange loss				(2,091)
Interest income				2,236
Finance costs				(79,810)
Equity-settled share option expense				(5,172)
Other unallocated gains				1,032
Corporate and other unallocated expenses				(35,876)
Profit before tax from continuing operations				287,610
Other segment information:				
Depreciation and amortisation				(8,266)
Capital expenditure*				817,754
Investments in joint ventures and associates				1,272,235

\# Included construction cost of US$26,771,000.

Notes to Condensed Consolidated Financial Information

30 June 2021

3. OPERATING SEGMENT INFORMATION (continued)

	Six months ended 30 June 2020			
	Investment (Unaudited) US$'000	Fund management (Unaudited) US$'000	Development (Unaudited) US$'000	Total (Unaudited) US$'000
Segment revenue	58,839	83,578	55,224	197,641
– Intersegment sales	–	95	–	95
	58,839	83,673	55,224	197,736
Reconciliation:				
Elimination of intersegment sales	–	(95)	–	(95)
Revenue from continuing operations	58,839	83,578	55,224	197,641
Operating expenses	(19,577)	(19,222)	(68,642)#	(107,441)
Fair value gains on investment properties	26,063	–	99,708	125,771
Changes in carrying value of financial assets and liabilities at fair value through profit or loss	(10,211)	–	11,189	978
Share of profits and losses of joint ventures and associates, net	17,605	–	26,171	43,776
Gain on disposal of subsidiaries	–	–	5,494	5,494
Dilution of interests in investment in a joint venture	–	–	(2,320)	(2,320)
Dividend income	35,839	–	–	35,839
Segment result	108,558	64,356	126,824	299,738
Reconciliation:				
Depreciation and amortisation				(7,133)
Exchange gain				726
Interest income				1,769
Finance costs				(71,659)
Equity-settled share option expense				(8,078)
Other unallocated gains				537
Corporate and other unallocated expenses				(23,497)
Profit before tax from continuing operations				192,403
Other segment information:				
Depreciation and amortisation				(7,133)
Capital expenditure*				312,075
Investments in joint ventures and associates				910,505

Included construction cost of US$54,401,000.

* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets including assets from acquisition of subsidiaries.

Notes to Condensed Consolidated Financial Information

30 June 2021

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June 2021 (Unaudited) US$'000	2020 (Unaudited) US$'000
China	58,089	43,727
Japan	61,615	35,146
South Korea	22,459	18,667
Singapore	12,638	11,252
Australia	46,267	84,915
India	3,331	3,934
	204,399	197,641

The revenue information of continuing operations above is based on the locations of the assets.

(b) Non-current assets

	30 June 2021 (Unaudited) US$'000	31 December 2020 (Audited) US$'000
China	3,188,126	2,689,699
Japan	1,100,234	709,965
South Korea	401,105	406,779
Singapore	128,005	126,478
Australia	866,710	289,626
India	68,572	57,301
Indonesia	17,268	11
	5,770,020	4,279,859

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

Revenue from continuing operations of approximately US$20,982,000 was derived from investment segment by a single customer for the financial period ended 30 June 2021. There was no single customer with revenue over 10% of the total revenue of the Group for the financial period ended 30 June 2020.

Notes to Condensed Consolidated Financial Information

30 June 2021

4. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Rental from investment property operating leases (note (i))	50,648	55,915
Management fee	123,872	83,578
Construction	26,741	55,224
Solar energy	3,138	2,924
Total	204,399	197,641

Timing of revenue recognition

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Rental from investment property operating leases	50,648	55,915
Point in time		
Management fee	38,368	18,400
Over time		
Management fee	85,504	65,178
Construction	26,741	55,224
Solar energy	3,138	2,924
	204,399	197,641

Note:

(i) Rental from investment property operating leases does not include variable lease payments that do not depend on an index or a rate.

Notes to Condensed Consolidated Financial Information

30 June 2021

4. REVENUE, OTHER INCOME AND GAINS, NET (continued)

(b) Other income and gains, net

		For the six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	Note	US$'000	US$'000
Changes in carrying value of financial assets and liabilities at fair value through profit or loss		(8,005)	978
Dilution of interests in investment in a joint venture		–	(2,320)
Dividend income		43,006	35,839
Exchange gain		–	726
Fair value gains on completed investment properties	13	63,253	26,063
Fair value gains on investment properties under construction	13	102,648	99,708
Gain on disposal of subsidiaries		–	5,494
Gain on disposal of asset held for sale		3,035	–
Gain on disposal of interests in a joint venture and an associate		5,289	–
Interest income		2,236	1,769
Others		1,032	537
		212,494	168,794

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

(a) Employee benefit expense

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Wages and salaries (including directors' and chief executive's remuneration)	49,373	46,630
Equity-settled share option expense (note 23)	5,172	8,078
Pension scheme contributions	3,377	2,621
	57,922	57,329

Notes to Condensed Consolidated Financial Information

30 June 2021

5. PROFIT BEFORE TAX (continued)

The Group's profit before tax is arrived at after charging: (continued)

(b) Other items

	For the six months ended 30 June 2021 (Unaudited) US$'000	2020 (Unaudited) US$'000
Amortisation of other intangible assets	3,238	2,635
Auditor's remuneration	959	725
Construction cost (note (i))	26,771	54,401
Depreciation of property, plant and equipment	1,770	1,547
Depreciation of right-of-use assets	3,258	2,951
Exchange losses	2,091	–
Loss on disposal of items of property, plant and equipment	–	53
Other tax expenses	6,096	5,713
Professional fees (note (ii))	13,568	5,032

Notes:

(i) Construction costs for the six months ended 30 June 2021 and 2020 are included in "Cost of sales" in the condensed consolidated statement of profit or loss and other comprehensive income.

(ii) Included a consultancy fee of US$750,000 to an affiliate of a shareholder.

6. FINANCE COSTS

	For the six months ended 30 June 2021 (Unaudited) US$'000	2020 (Unaudited) US$'000
Interest expense on bank loans	42,662	43,663
Interest expense on other borrowings	615	3,160
Interest expense on bonds	31,205	29,115
Interest expense on convertible bonds	2,596	–
Interest accretion on convertible bonds (note (i))	4,782	–
Interest expense on lease liabilities	326	1,200
	82,186	77,138
Less: Interest capitalised	(2,376)	(5,479)
	79,810	71,659

Note:

(i) Related to non-cash portion associated with the equity element of the convertible bonds.

Notes to Condensed Consolidated Financial Information

30 June 2021

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Current tax	19,908	18,237
Deferred tax	38,007	29,510
	57,915	47,747

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.

During the period, Hong Kong profits tax was provided at the rate of 16.5% (30 June 2020: 16.5%) on the estimated assessable profits arising in Hong Kong.

During the period, subsidiaries incorporated in China were subject to China income tax at the rate of 25% (30 June 2020: 25%).

Taxes on estimated assessable profits elsewhere were calculated at the rates of taxation prevailing in the respective jurisdictions in which the Group operates.

8. DIVIDENDS

No dividend has been paid or declared by the Company during the six months ended 30 June 2021 (30 June 2020: nil).

Notes to Condensed Consolidated Financial Information

30 June 2021

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period. The weighted average number of ordinary shares of 3,059,967,000 (30 June 2020: 3,038,747,000) in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, 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:

	For the six months ended 30 June	
	2021	**2020**
	(Unaudited)	**(Unaudited)**
	US$'000	**US$'000**
Earnings:		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	213,947	132,993
	'000	**'000**
Number of shares:		
Weighted average number of ordinary shares in issue, used in the basic earnings per share calculation	3,059,967	3,038,747
Share options	38,634	54,064
	3,098,601	3,092,811

Notes to Condensed Consolidated Financial Information

30 June 2021

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	30 June 2021 (Unaudited) US$'000	31 December 2020 (Audited) US$'000
Share of net assets from joint ventures	932,675	942,680
Share of net assets from associates	245,651	86,754
Goodwill on retaining interests in joint ventures	2	2
	1,178,328	1,029,436
Shareholder loan to a joint venture	93,907	52,854
	1,272,235	1,082,290

Shareholder loan to a joint venture is unsecured and interest-free. It is part of the capital commitment to the joint venture and is only repayable upon mutually agreed by all joint venture partners. Accordingly, the shareholder loan is considered as part of the Group's investments in the joint venture.

Particulars of the Group's material joint ventures and associates are as follows:

		Percentage of				
Name	Place of registration and business	Ownership interest	Voting power	Profit sharing	Principal activities	Classified as investment in
e-Shang Star Cayman Limited ("**e-Shang Star**")	Cayman Islands	25.6455%	33.33%	25.6455%	Investment holding	Joint venture
Sunwood Star Pte. Ltd. ("**Sunwood Star**")	Singapore	20.00%	33.33%	20.00%	Investment holding	Joint venture
ESR GIC Limited ("**ESR-GIC**")	British Virgin Islands	51.00%	50.00%	51.00%	Investment holding	Joint venture
ESR Australia Logistics Partnership ("**EALP**")	Australia	10.00%	10.00%*	10.00%	Investment holding	Associate
ESR Milestone Partnership ("**EMP**")	Australia	20.00%	20.00%	20.00%	Investment holding	Associate

The joint ventures and associates are accounted for using equity method.

Unanimous agreements from all joint venture parties are required for investments in joint ventures.

* Unanimous agreement from all shareholders are required for certain matters.

Investments in joint ventures and associates with a carrying amount of nil (31 December 2020: US$115,899,000) were pledged to secure bank and other borrowings granted to the Group (note 15).

Notes to Condensed Consolidated Financial Information

30 June 2021

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 (Unaudited) US$'000	31 December 2020 (Audited) US$'000
Unquoted equity interests, at fair value[i]	661,622	678,864

Note:

(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 has elected to measure its investments in associates and joint ventures at fair value through profit or loss in accordance with 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.

Particulars of the material associates, joint ventures and investment funds are summarised below:

Name	Principal activity	Country of incorporation/ registration	Effective ownership interest 30 June 2021 %	Effective ownership interest 31 December 2020 %
Jiangsu Yitian Warehousing Service Co., Ltd.	Warehousing business	China	16.25	16.25
Shanghai Fengyuan Logistic Co., Ltd.	Warehousing business	China	16.25	16.25
Taicang Mingzhan Logistics Company Limited	Warehousing business	China	16.25	16.25
Shanghai Yiyuan Equity Investment Fund Partnership (Limited Partnership)	Investment holding	China	9.99	9.99
Viper GK	Asset holding	Japan	47.37	47.37
ESR Japan Core Fund Limited Partnership	Investment holding	Singapore	24.40	24.40
Baraki 3 Pte. Ltd.	Investment holding	Singapore	9.88	9.88
Redwood Amagasaki Pte. Ltd.	Investment holding	Singapore	16.70	16.70
RW Chigasaki Pte. Ltd.	Investment holding	Singapore	20.10	20.10
RW Toda Pte. Ltd.	Investment holding	Singapore	20.10	20.10
RW Sachiura Pte. Ltd.	Investment holding	Singapore	7.14	7.14
RW HO A Pte. Ltd.	Investment holding	Singapore	14.30	14.30
RW Ukishima Pte. Ltd.	Investment holding	Singapore	14.30	14.30
ESR India Logistics Fund Pte. Ltd.	Investment holding	Singapore	50.00	50.00
Kendall Square Terra Professional Investment Type Private Placement Real Estate Investment Trust No. 1	Investment holding	South Korea	9.40	9.40

Notes to Condensed Consolidated Financial Information

30 June 2021

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2021 (Unaudited) US$'000	31 December 2020 (Audited) US$'000
Listed equity investments, at market value	717,538	878,300

Listed equity investments at fair value represent the Group's investments in publicly listed companies, which are quoted in active markets.

During the period, the Group recognised loss arising from its listed equity investments amounted to US$20,944,000 (30 June 2020: US$69,945,000) in other comprehensive income.

During the period, the Group recognised dividend income in respect of its listed equity investments amounted to US$13,948,000 (30 June 2020: US$10,196,000) in the statement of profit or loss.

The listed equity investments comprise the following:

Listed on	Fair value as at 30 June 2021 (Unaudited) US$'000
Australian Securities Exchange ("**ASX**")	
• Investment A	58,990
Hong Kong Exchanges and Clearing Limited ("**HKEX**")	
• Investment B	283,004
Singapore Exchange Securities Trading Limited ("**SGX**")	
• Investment C	110,334
• Investment D	101,456
• Investment E	69,534
Korea Exchange ("**KRX KOSPI**")	
• Investment F	94,220

As at 30 June 2021, 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 US$187,040,000 as at 30 June 2021 (31 December 2020: US$294,799,000) had been pledged to secure bank and other borrowings granted to the Group (note 15).

Notes to Condensed Consolidated Financial Information

30 June 2021

13. INVESTMENT PROPERTIES

	Completed investment properties US$'000	Investment properties under construction US$'000	Total US$'000
At 1 January 2020	1,558,752	1,227,174	2,785,926
Additions	20,108	314,169	334,277
Acquisition of subsidiaries	87,648	46,527	134,175
Changes in fair values of investment properties	53,717	170,963	224,680
Transfer from investment properties under construction to completed investment properties	189,772	(189,772)	–
Reclassification to asset held for sale	–	(6,732)	(6,732)
Disposal of subsidiaries	(464,081)	(181,736)	(645,817)
Disposal	(86,174)	(261,006)	(347,180)
Exchange realignment	94,267	90,121	184,388
At 31 December 2020 (audited) and 1 January 2021	1,454,009	1,209,708	2,663,717
Additions	439,581	122,990	562,571
Acquisition of subsidiaries (note 18)	226,364	–	226,364
Changes in fair values of investment properties	63,253	102,648	165,901
Transfer from investment properties under construction to completed investment properties	147,295	(147,295)	–
Exchange realignment	3,349	(23,663)	(20,314)
At 30 June 2021 (unaudited)	2,333,851	1,264,388	3,598,239

(a) All completed investment properties and investment properties under construction of the Group were revalued at 30 June 2021 based on valuation performed by independent professionally qualified valuers, Beijing Colliers International Real Estate Valuation Co., Ltd., Savills Valuation and Professional Services Pte Ltd. and Cushman & Wakefield K.K. at fair value. They are industry specialists 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 analysed, and weighted against relevant factors 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.

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13. 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:

	30 June 2021 (Unaudited) US$'000	31 December 2020 (Audited) US$'000
Within one year	113,007	75,048
After one year but within two years	90,033	63,372
After two years but within three years	57,292	38,813
After three years but within four years	29,171	18,581
After four years but within five years	14,276	8,503
After five years	10,469	10,001
	314,248	214,318

(c) Certain of the Group's completed investment properties and investment properties under construction with a fair value of US$3,028,285,000 (31 December 2020: US$2,082,085,000) were pledged to secure bank and other borrowings granted to the Group (note 15).

(d) Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	For the six months ended 30 June 2021 (Unaudited) US$'000	2020 (Unaudited) US$'000
Significant observable inputs (Level 2)	235,405	75,456
Significant unobservable inputs (Level 3)	3,362,834	2,510,323
	3,598,239	2,585,779

During the period, there were no transfers of fair value measurement between Level 1 and Level 2 (30 June 2020: nil).

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13. INVESTMENT PROPERTIES (continued)

(d) Fair value hierarchy (continued)

The movements in fair value measurements within Level 3 during the period are as follows:

	For the six months ended 30 June 2021 (Unaudited) US$'000	2020 (Unaudited) US$'000
At 1 January	2,550,909	2,552,837
Additions	460,883	152,127
Acquisition of subsidiaries	226,364	96,035
Changes in fair value of investment properties	145,774	117,777
Transfer from Level 2 to Level 3	–	212,115
Reclassification to asset held for sale	–	(42,281)
Disposal of subsidiaries	–	(585,075)
Exchange realignment	(21,096)	6,788
At 30 June	3,362,834	2,510,323

The valuation of investment properties categorised within Level 2 of the fair value hierarchy are based on comparable market transactions that consider sales of similar properties that have been transacted in the open market.

Below is a summary of the valuation techniques used and the key unobservable inputs to the valuation of investment properties categorised within Level 3 of the fair value hierarchy:

Investment property details	Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Warehouse properties	Income capitalisation	**Capitalisation rate:** China: 5.70% to 7.10% (2020: 5.25% to 6.50%) Japan: 4.00% to 5.60% (2020: 4.10% to 4.30%) Hong Kong: 3.00% (2020: Nil) Indonesia: 7.50% (2020: Nil)	The estimated fair value varies inversely against the capitalisation rate
	Discounted cash flow	**Discount rate:** China: 8.25% to 9.25% (2020: 8.25% to 9.25%) Japan: 3.80% to 6.00% (2020: 3.90% to 4.00%) Hong Kong: 7.00% (2020: Nil) Indonesia: 9.50% (2020: Nil)	The estimated fair value varies inversely against the discount rate
		Terminal capitalisation rate: China: 5.25% to 6.50% (2020: 5.25% to 6.50%) Japan: 4.10% to 5.50% (2020: 4.20% to 4.30%) Hong Kong: 3.00% (2020: Nil) Indonesia: 8.00% (2020: Nil)	The estimated fair value varies inversely against the terminal capitalisation rate

Notes to Condensed Consolidated Financial Information

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14. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The Group seeks to maintain strict control over its outstanding receivables to minimise 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 30 June 2021 and 31 December 2020, based on the invoice date and net of loss allowance, is as follows:

	30 June 2021 (Unaudited) US$'000	31 December 2020 (Audited) US$'000
Within 90 days	117,909	93,950
91 to 180 days	3,274	48
Over 180 days	3,855	675
Total	125,038	94,673

15. BANK AND OTHER BORROWINGS

	30 June 2021			31 December 2020		
	Effective interest rate (%)	Maturity	US$'000 (Unaudited)	Effective interest rate (%)	Maturity	US$'000 (Audited)
Current						
Bank loans — secured	0.82–6.18	2022	412,744	0.20–6.18	2021	526,368
Bank loans — unsecured	3.20–4.10	2022	296,698	3.23–4.35	2021	207,292
Bonds — unsecured	6.75–7.88	2022	683,477	–	–	–
			1,392,919			733,660
Non-current						
Bank loans — secured	0.61–6.18	2023–2038	944,953	1.70–6.77	2022–2036	803,868
Bank loans — unsecured	2.00–3.89	2023–2026	889,959	2.15–3.25	2022–2023	551,584
Other borrowings — unsecured	0.50–10.00	2023–2024	55,354	0.50–10.00	2023–2024	54,859
Bonds — unsecured	5.10	2025	165,651	5.10–7.88	2022–2025	852,310
			2,055,917			2,262,621
Convertible bonds (note 17)	5.03	2025	303,779	5.03	2025	298,997
			2,359,696			2,561,618
			3,752,615			3,295,278

Notes to Condensed Consolidated Financial Information

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15. BANK AND OTHER BORROWINGS (continued)

Debt maturity profile of bank and other borrowings:

	30 June 2021 (Unaudited) US$'000	31 December 2020 (Audited) US$'000
Bank loans repayable		
Within one year	709,442	733,660
In the second year	445,184	464,060
In the third to fifth year, inclusive	1,200,365	726,819
Beyond five years	189,363	164,573
	2,544,354	2,089,112
Bonds and other borrowings repayable		
Within one year	683,477	–
In the second year	49,282	685,031
In the third to fifth year, inclusive	475,502	521,135
	1,208,261	1,206,166
	3,752,615	3,295,278

Notes:

As at 30 June 2021, certain of the Group's completed investment properties and investment properties under construction in a total fair value of US$3,028,285,000 (31 December 2020: US$2,082,085,000), property, plant and equipment with a carrying amount of US$27,738,000 (31 December 2020: US$26,835,000), pledged bank deposits with an amount of US$50,763,000 (31 December 2020: US$49,609,000), listed equity interests at market value with a fair value of US$187,040,000 (31 December 2020: US$294,799,000), investments in joint ventures with carrying amount of nil (31 December 2020: US$115,899,000), and equity interests of certain subsidiaries were pledged to secure bank and other borrowings granted to the Group.

Notes to Condensed Consolidated Financial Information

30 June 2021

16. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

Trade payables, accruals and other payables balance comprise of:

	30 June 2021 (Unaudited) US$'000	31 December 2020 (Audited) US$'000
Trade payables	4,525	5,782
Accruals and other payables	194,542	220,532
Total	199,067	226,314

An aging analysis of the trade payables as at 30 June 2021 and 31 December 2020, based on the invoice date, is as follows:

	30 June 2021 (Unaudited) US$'000	31 December 2020 (Audited) US$'000
Within 30 days	735	2,061
31 to 60 days	143	64
Over 60 days	3,647	3,657
Total	4,525	5,782

The amounts due to related parties are non-trade in nature, unsecured, interest-free and payable on demand.

Notes to Condensed Consolidated Financial Information

30 June 2021

17. CONVERTIBLE BONDS

On 9 September 2020, the Company issued US$350,000,000 in principal amount of 1.50% convertible bonds due 2025. There was no movement in the number of these convertible bonds during the year.

The convertible bonds may be converted into ordinary shares of the Company at the option of the convertible bondholders at the prevailing conversion price on or after the date which is 41 days after 30 September 2020 up to and including on the ten day prior to 30 September 2025 ("**Maturity Date**") (both days inclusive). On the date of issuance, the initial conversion price was HKD32.13 per share ("**Conversion Price**"), subject to adjustment upon occurrence of certain prescribed events based on the terms and conditions of the convertible bonds.

Subject to satisfaction of certain conditions, the convertible bonds may be redeemed at the option of the Company at any time after 30 September 2023 and prior to the Maturity Date, in whole, but not in part, for the time being outstanding at their principal amount, together with interest accrued but unpaid to but excluding the date fixed for redemption.

The Company will, at the option of the convertible bondholder to redeem all or some only of such holder's convertible bonds on 30 September 2023 at 100% of their principal amount, together with interest accrued but unpaid up to but excluding such date.

The convertible bonds are interest-bearing at 1.50% per annum payable semi-annually in arrears in March and September respectively.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

As of 30 June 2021, there was no conversion of convertible bonds.

The convertible bonds issued have been split into the liability and equity components as follows:

	Convertible bonds US$'000
Nominal value of convertible bonds issued	350,000
Equity component	(48,501)
Direct transaction costs	(4,959)
Liability component at the issuance date	296,540
Effective interest expense	3,791
Interest payable	(1,334)
Liability component at 31 December 2020 (audited) and 1 January 2021	298,997
Effective interest expense	7,378
Net increase in interest payable	(2,596)
Liability component at 30 June 2021 (unaudited) (note 15)	303,779

Notes to Condensed Consolidated Financial Information

30 June 2021

18. BUSINESS COMBINATION

Milestone Operations Limited ("MOL")

On 17 June 2021, the Group, through its wholly-owned subsidiary, ESR Landmark Pty Ltd, completed the acquisition of 100% equity interests in MOL. The acquisition of MOL was identified as a business combination by the management. Milestone is a fully operational company as at the acquisition date and its principal activity is to provide support and trustee services to the properties held by a joint venture of the Group in Australia.

The fair values of the identifiable assets and liabilities of MOL and goodwill on acquisition at the date of acquisition as disclosed in the table below have been measured on a provisional basis.

	Net assets acquired US$'000
Net assets acquired	
Cash and bank balances	8,813
Prepayments, other receivables and other assets	18
Property, plant and equipment	77
Other intangible assets	23,875
Deferred tax assets	40
Trade payables, accruals and other payables	(132)
Deferred tax liabilities	(7,164)
	25,527
Goodwill on acquisition	332,888
	358,415
Satisfied by	
Cash	358,415

An analysis of the cash flows in respect of the acquisition of subsidiaries are as follows:

	Cashflow on acquisition US$'000
Cash consideration	(358,415)
Cash and bank balances acquired	8,813
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(349,602)

Notes to Condensed Consolidated Financial Information

30 June 2021

18. BUSINESS COMBINATION (continued)

For the six months ended 30 June 2021, no revenue was recognised from the acquisition of MOL and a loss of US$499,000 was recorded in the Group's results.

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 period would have been US$204,399,000 and US$223,616,000, respectively.

Reconciliation of the carrying amount of the Group's goodwill at the beginning and end of the reporting period is presented below:

	US$'000
Gross carrying amount	
At 1 January 2021	340,243
Acquisition of a subsidiary	332,888
At 30 June 2021	673,131
Accumulated impairment losses	
At 1 January 2021	–
Impairment losses recognised during the period	–
At 30 June 2021	–
Net carrying amount	
At 1 January 2021	340,243
At 30 June 2021	673,131

Notes to Condensed Consolidated Financial Information

30 June 2021

18. BUSINESS COMBINATION (continued)

Acquisition of subsidiaries that are not business

Limetree Finance Limited and its subsidiaries ("Limetree")

On 5 May 2021, the Group, through its wholly-owned subsidiary, ESR Hong Kong Brilliant Limited, completed the acquisition of an additional 50% equity interests in Limetree. The Group previously held 50% interests in Limetree and accounted as investment in joint venture. Upon acquisition of additional 50% interest, Limetree became a subsidiary of the Group.

On the acquisition date, there were no other material assets and liabilities other than those disclosed in the table below. The transactions were accounted for as an asset acquisition.

	Net assets acquired US$'000
Net assets acquired	
Prepayments, other receivables and other assets	1,569
Property, plant and equipment	333
Investment properties	226,364
Trade payables, accruals and other payables	(5,442)
	222,824
Satisfied by	
Cash	115,185
Investment in joint venture	290
Loan receivable from a joint venture	107,349
	222,824

An analysis of the cash flows in respect of the acquisition of subsidiaries are as follows:

	Cashflow on acquisition US$'000
Cash consideration	(115,185)
Cash and bank balances acquired	–
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(115,185)

19. CONTINGENT LIABILITIES

As at 30 June 2021, neither the Group nor the Company had any significant contingent liabilities.

Notes to Condensed Consolidated Financial Information

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20. 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 30 June 2021 and 31 December 2020, the Group had total future minimum lease receivable under non-cancellable operating leases with its tenants falling due as stated in note 13.

(b) Capital commitments

	30 June 2021 (Unaudited) US$'000	31 December 2020 (Audited) US$'000
Contracted, but not provided for investment properties	374,396	315,442
Undrawn capital calls to real estate investment funds	1,023,235	1,037,489
	1,397,631	1,352,931

21. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the financial information, the Group had the following material transactions with related parties during the six months ended 30 June 2021 and 2020:

(a) Transactions with related parties:

	For the six months ended 30 June	
	2021 (Unaudited) US$'000	2020 (Unaudited) US$'000
Associates:		
– Management fee income (note (i))	23,270	7,509
Joint ventures:		
– Management fees income (note (i))	37,371	16,986
– Repayment from/(Advances to) joint ventures (note (ii))	3,924	(21)
– Repayment to joint ventures (note (ii))	(890)	–
– Prepayment from a joint venture relating to an asset held for sale	–	10,051
– Repayment from a joint venture	–	59,485
– Construction revenue	–	24,678
– Investments in debentures issued by joint ventures (note (iii))	9,659	–
– Interest income on investment in debentures (note (iii))	789	–
Directors:		
– Loan to Directors (note 21 (d))	–	9,200
– Interest receivables from Directors (note 21 (d))	248	142

Notes to Condensed Consolidated Financial Information

30 June 2021

21. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties: (continued)

Notes:

(i) The Group and its subsidiaries entered into agreements with joint ventures (including their operating subsidiaries) and some associates to charge management services, which comprised the following:

a) Land acquisition fee at a certain percentage of the net land cost;

b) Development fee at a certain percentage of total budget of project development cost during the construction period;

c) Asset management fee at a certain percentage of the aggregate costs of the project before stabilisation or fair value after stabilisation; and

d) Leasing fee in respect of each new lease entered into.

(ii) Advances to/(repayment from) joint ventures and advances from/(repayment to) joint ventures are unsecured, interest-free and repayable on demand. The outstanding amounts due from related parties as of 30 June 2021 is US$4,263,000 (30 June 2020: US$54,468,000).

(iii) Investments in debentures issued by joint ventures and related interest income are relating to the Group's investments in Compulsorily Convertible Debentures, Optionally Convertible Debentures and Non-convertible Debentures.

(b) Commitments with related parties

The Group's capital commitment to associates and joint ventures as of 30 June 2021 are US$31,415,000 and US$720,619,000, respectively (31 December 2020: US$43,630,000 and US$916,809,000).

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2021 (Unaudited) US$'000	2020 (Unaudited) US$'000
Short term employee benefits	2,794	3,312
Post-employment benefits	5	6
Share based payment	345	2,812
Total compensation paid to key management personnel	3,144	6,130

(d) Loans to Directors

Loans to Directors, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	At 1 January 2020 US$'000	Maximum amount outstanding during the year US$'000	At 31 December 2020 (audited) and 1 January 2021 US$'000	Maximum amount outstanding during the period US$'000	At 30 June 2021 (unaudited) US$'000
Mr Stuart Gibson	–	4,600	4,600	4,600	4,600
Mr Charles Alexander Portes	–	4,600	4,600	4,600	4,600

Loans granted to directors bear interest at 4.5% (31 December 2020: 5.5%) per annum, and are unsecured and repayable in year 2022. Loans to Directors and the related interest receivables were included in prepayments, other receivables and other assets as of 30 June 2021.

Notes to Condensed Consolidated Financial Information

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22. SHARE CAPITAL

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Authorised number of shares	8,000,000,000	8,000,000,000

	30 June 2021 (Unaudited) US$'000	31 December 2020 (Audited) US$'000
Issued and fully paid	3,060	3,060

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital US$'000	Share premium account US$'000	Total US$'000
At 1 January 2020	3,036,584,643	3,037	2,042,526	2,045,563
Share options exercised (note (i))	23,766,674	24	22,502	22,526
Share repurchased and cancellation (note (ii))	(536,400)	(1)	(893)	(894)
At 31 December 2020 (audited) and 1 January 2021	3,059,814,917	3,060	2,064,135	2,067,195
Share options exercised (note (iii), (iv))	498,279	–*	(784)	(784)
At 30 June 2021 (unaudited)	3,060,313,196	3,060	2,063,351	2,066,411

* The amount is less than US$1,000.

Notes:

(i) 23,766,674 shares were issued by the Company for a total cash consideration, before expenses, of US$1,158,000 in satisfaction of 31,593,589 share options exercised in 2020 at the exercise price of US$0.69 per share (note 23). An amount of US$21,368,000 was transferred from the share option reserve to share capital and share premium upon the exercise of the share options.

(ii) The Company repurchased 536,400 of its own shares on the Hong Kong Stock Exchange for a consideration of approximately US$894,000. The repurchased shares have been cancelled and the amount paid for the purchase of the shares has been charged to share capital and share premium.

(iii) 498,279 shares were issued by the Company for a nil cash consideration in satisfaction of 930,075 share options exercised in 2021 at the exercise price of US$1.20 per share (note 23). An amount of US$529,000 (before tax of US$81,000) was transferred from the share option reserve to share capital and share premium upon the exercise of the share options.

(iv) During the six months ended 30 June 2021, the Company paid withholding tax of US$1,232,000 in relation to share options exercised in the previous financial year. The withholding tax expense was recorded in share premium account.

Notes to Condensed Consolidated Financial Information

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23. SHARE OPTION PLAN

The following share options were outstanding under the share option plans including KM ESOP, Tier 1 ESOP and Post-IPO Share Option Scheme (the "**Plans**") during the six months ended 30 June 2021:

	Weighted average exercise price US$	Number of options '000
At 1 January 2020		82,174
Granted during the year	3.52	6,650
Forfeited during the year	1.52	(91)
Exercised during the year	0.69	(31,594)
At 31 December 2020 (audited) and at 1 January 2021		57,139
Granted during the period		–
Forfeited during the period	0.94	(273)
Exercised during the period	1.20	(930)
At 30 June 2021 (unaudited)		55,936

The weighted average share price at the date of exercise for share options exercised during the six months ended 30 June 2021 was HK$24.87 (31 December 2020: HK$20.23) per share.

The exercise prices and exercise periods of the share options outstanding as at 30 June 2021 and 31 December 2020 are as follows:

Number of options ('000) 30 June 2021	31 December 2020	Exercise price per share	Exercise period
24,700	24,700	US$0.4600	20-04-17 to 20-01-26
250	250	US$0.4722	01-01-23* to 22-02-29
19,278	20,074	US$0.9445	01-01-23* to 19-05-29
873	873	US$1.1453	16-08-23* to 15-08-28
948	948	US$1.3655	16-02-24* to 25-02-29
3,237	3,644	US$1.5172	20-05-24* to 19-05-29
6,650	6,650	HK$27.30	21-12-28 to 30-12-28
55,936	57,139		

* Participants will have an unconditional right to exercise an option to the extent that it is vested after the earliest of the followings:

a) an IPO;

b) an Early Vesting Event;

c) 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.

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23. SHARE OPTION PLAN (continued)

There are no granted share options during the six months ended 30 June 2021.

The 930,075 share options exercised during the six months ended 30 June 2021 resulted in the issue of 498,279 ordinary shares of the Company and new share capital of US$498 (before issue expenses), as further detailed in note 22.

At 30 June 2021, the Company had 55,936,000 share options outstanding under the Plans. The exercise in full of the outstanding share options by conventional exercise method would, under the present capital structure of the Company, result in the issue of 55,936,000 additional ordinary shares of the Company and additional share capital and share premium of US$60,308,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 55,936,000 share options outstanding under the Plans, which represented approximately 1.83% of the Company's shares in issue as at that date.

24. PERPETUAL CAPITAL SECURITIES

In March 2021, the Company issued an aggregate principal amount of S$200,000,000 perpetual resettable step-up subordinated securities under the US$2,000,000,000 Multicurrency Debt Issuance Programme. In June 2021, the Company issued a further tranche for an aggregate principal amount of S$150,000,000, bringing the aggregate total amount to S$350,000,000.

The distribution rate is 5.65% per annum, with the first distribution rate resets falling on 2 March 2026 and subsequent resets occurring every five years thereafter. Distributions are payable semi-annually in arrears. Subject to the relevant terms and conditions in the supplemental offering circular dated 23 February 2021, 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 2 March 2026 or on any distribution payment date thereafter, on giving not less than 30 nor more than 60 days' irrevocable notice in accordance with the terms and conditions of the issuance. The perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated statement of financial position.

Movements of the perpetual capital securities are as follows:

	Principal US$'000	Distribution US$'000	Total US$'000
At 1 January 2020	97,379	–	97,379
Profit attributable to holders of perpetual capital securities	–	4,125	4,125
Distribution to holders of perpetual capital securities	–	(4,125)	(4,125)
Redemption of perpetual capital securities	(97,379)	–	(97,379)
At 30 June 2020 (unaudited), 31 December 2020 (audited) and 1 January 2021	–	–	–
Issuance of perpetual capital securities	260,197	–	260,197
Direct issue costs attributable to the perpetual capital securities	(3,869)	–	(3,869)
Profit attributable to holders of perpetual capital securities	–	3,321	3,321
At 30 June 2021 (unaudited)	256,328	3,321	259,649

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25. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each category of financial instruments as at 30 June 2021 and 31 December 2020 are as follows:

30 June 2021

Financial assets	Financial assets at fair value through profit or loss (Unaudited) US$'000	Financial assets at amortised cost (Unaudited) US$'000	Financial assets at fair value through other comprehensive income (Unaudited) US$'000	Total (Unaudited) US$'000
Financial assets at fair value through profit or loss	661,622	–	–	661,622
Financial assets at fair value through other comprehensive income	–	–	717,538	717,538
Trade receivables	–	125,038	–	125,038
Other non-current assets	11,926	37,412	–	49,338
Financial assets included in prepayments, other receivables and other assets	–	48,512	–	48,512
Pledged bank deposits	–	50,763	–	50,763
Restricted bank balances	–	81,032	–	81,032
Cash and bank balances	–	1,000,484	–	1,000,484
Non-pledged fixed time deposits with a maturity period over three months	–	326	–	326
	673,548	1,343,567	717,538	2,734,653

Financial liabilities	Financial liabilities at amortised cost (Unaudited) US$'000	Total (Unaudited) US$'000
Financial liabilities included in trade payables, accruals and other payables	161,453	161,453
Interest-bearing bank and other borrowings	3,752,615	3,752,615
Lease liabilities	12,473	12,473
Other non-current liabilities	45,880	45,880
	3,972,421	3,972,421

Notes to Condensed Consolidated Financial Information

30 June 2021

25. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

31 December 2020

Financial assets	Financial assets at fair value through profit or loss (Audited) US$'000	Financial assets at amortised cost (Audited) US$'000	Financial assets at fair value through other comprehensive income (Audited) US$'000	Total (Audited) US$'000
Financial assets at fair value through profit or loss	678,864	–	–	678,864
Financial assets at fair value through other comprehensive income	–	–	878,300	878,300
Trade receivables	–	94,673	–	94,673
Other non-current assets	6,359	26,841	–	33,200
Financial assets included in prepayments, other receivables and other assets	–	147,489	–	147,489
Pledged bank deposits	–	49,609	–	49,609
Restricted bank balances	–	59,441	–	59,441
Cash and bank balances	–	1,404,068	–	1,404,068
Non-pledged fixed time deposits with a maturity period over three months	–	2,312	–	2,312
	685,223	1,784,433	878,300	3,347,956

Financial liabilities	Financial liabilities at amortised cost (Audited) US$'000	Total (Audited) US$'000
Financial liabilities included in trade payables, accruals and other payables	175,577	175,577
Interest-bearing bank and other borrowings	3,295,278	3,295,278
Lease liabilities	13,393	13,393
Other non-current liabilities	47,158	47,158
	3,531,406	3,531,406

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26. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management is responsible for determining the policies and procedures for the fair value management of financial instruments. At each reporting date, management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The Group reviews with independent valuers on valuation inputs every half yearly, in line with its half year and annual reporting dates.

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, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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 financial assets at fair value through profit or loss have been estimated based on the Group's share of the net asset value of the investment funds. The net asset value of the investment funds comprise mainly their investment properties whose fair values were determined by an external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. Therefore, management has determined that the net asset value of the investment funds represent fair value as at periods end.

The summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2021 and 31 December 2020 is as follows.

	Valuation technique	**Key unobservable input**	**Range**	**Sensitivity of the fair value to the input**
Unlisted financial assets at fair value through profit or loss	Net asset value	Net asset value	2021: US$171,000 to US$596,530,000 2020: US$424,000 to US$596,390,000	1% increase (decrease) in net asset value would result in increase (decrease) in fair value by 1%
Investment in Compulsorily Convertible Debentures and Optionally Convertible Debentures at fair value	Discounted cash flow	Cost of equity	2021: 9.75% to 10.57% 2020: 9.75% to 10.57%	1% increase (decrease) in cost of equity would result in (decrease) increase in estimated fair value by 0.59%

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26. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

	Quoted prices in active market (Level 1) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
30 June 2021 (unaudited)			
Financial assets at fair value through profit or loss	–	673,548	673,548
Financial assets at fair value through other comprehensive income	717,538	–	717,538
	717,538	673,548	1,391,086
31 December 2020 (audited)			
Financial assets at fair value through profit or loss	–	685,223	685,223
Financial assets at fair value through other comprehensive income	878,300	–	878,300
	878,300	685,223	1,563,523

The movements in fair value measurements within Level 3 during the period are as follows:

	30 June 2021 (Unaudited) US$'000	31 December 2020 (Audited) US$'000
Financial assets at fair value through profit or loss – unlisted		
At 1 January	685,223	595,453
(Loss)/gain recognised in profit or loss included in other income	(8,010)	50,976
Dilution of interests in financial assets at fair value through profit or loss	–	(398)
Interest receivable	474	574
Distribution	(30,301)	(71,748)
Purchases	49,012	129,833
Disposal	–	(11,263)
Disposal of subsidiary (net of interest retained)	–	(32,490)
Exchange realignment	(22,850)	24,286
	673,548	685,223

During the six months ended 30 June 2021, there were no transfers of fair values measurements into or out of Level 3 for financial liabilities.

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27. EVENTS AFTER THE REPORTING PERIOD

On 4 August 2021, the Company entered into an Acquisition Agreement in relation to a proposed business combination of the Group with ARA Asset Management Limited and its subsidiaries ("**ARA Group**"). Subject to cash consideration adjustment, the total consideration is US$5,192 million. Completion of the proposed acquisition is conditional upon the satisfaction (or, if applicable, waiver) of certain conditions, and it is currently expected that completion will take place in the fourth quarter of 2021 or the first quarter of 2022. On completion, ARA Group will become a subsidiary of the Company and accordingly, the financial results of the ARA Group will be consolidated into the accounts of the Company.

On 13 August 2021, the Group through its wholly-owned subsidiary entered into a co-investment platform agreement with Stichting Depositary APG Strategic Real Estate Pool ("**APG**") and a global institutional investor, to establish ESR China Development Platform ("**ECDP**"). ECDP is a new development fund which will invest in warehousing or warehousing and industrial mixed use properties located in selected markets of China to be sourced, developed and managed by the Group. ECDP consists of three offshore joint ventures of which ESR will hold 20% shareholding. ECDP has an initial capital commitment capped at US$1 billion in aggregate and if the re-up option is exercised, ESR shall contribute up to an amount equal to 20% of total capital commitment, capped at US$400 million. Subject to the satisfaction of conditions, it is expected that completion will take place by end of October 2021.

28. APPROVAL OF THE FINANCIAL INFORMATION

The condensed consolidated financial information was approved and authorised for issue by the board of directors on 19 August 2021.

Non-IFRS Measures

EBITDA, Adjusted EBITDA and Core PATMI are non-IFRS measures. These measures are presented because the Group believes they are useful measures to determine the Group's financial condition and historical ability to provide investment returns. EBITDA, Adjusted EBITDA and Core PATMI and any other measures of financial performance should not be considered as an alternative to cash flows from operating activities, a measure of liquidity or an alternative to net profit or indicators of the Group's operating performance on any other measure of performance derived in accordance with IFRS. Because EBITDA, Adjusted EBITDA and Core PATMI are not IFRS measures, these may not be comparable to similarly titled measures presented by other companies.

The following table sets out the reconciliations of EBITDA, Adjusted EBITDA and Core PATMI:

Financial Year (in US$'000)	**FY2019**	**FY2020**	**1H2020**	**1H2021**
Profit before tax	360,334	410,704	192,403	287,610
Add/(less):				
Depreciation and amortisation	16,363	17,141	7,133	8,266
Finance costs	180,368	147,414	71,659	79,810
Interest income	(7,974)	(4,082)	(1,769)	(2,236)
EBITDA	**549,091**	**571,177**	**269,426**	**373,450**
Add/(less):				
Equity-settled share option expense	18,469	14,082	8,078	5,172
Exchange (gain)/loss	1,111	5,425	(726)	2,091
Listing expenses	16,345	—	—	—
Fair value gains on investment properties	(226,083)	(224,680)	(125,771)	(165,901)
Adjusted EBITDA	**358,933**	**366,004**	**151,007**	**214,812**
Profit after tax and minority interests	245,177	286,466	132,993	213,947
Add/(less):				
Fair value gains on completed investment properties	(68,568)	(53,717)	(26,063)	(63,253)
Tax effect of adjustments	15,300	13,110	6,196	11,074
Listing expenses	16,345	—	—	—
Equity-settled share option expense	18,469	14,082	8,078	5,172
Core PATMI	**226,723**	**259,941**	**121,204**	**166,940**

Corporate Information

EXECUTIVE DIRECTORS
Mr Jinchu SHEN (Co-CEO)
Mr Stuart GIBSON (Co-CEO)

NON-EXECUTIVE DIRECTORS
Mr Jeffrey David PERLMAN (Chairman of the Board)
Mr Charles Alexander PORTES
Mr Wei HU
Mr David Alasdair William MATHESON

INDEPENDENT NON-EXECUTIVE DIRECTORS
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The Right Honourable Sir Hugo George William SWIRE, KCMG
Mr Simon James MCDONALD
Ms Jingsheng LIU
Mr Robin Tom HOLDSWORTH

COMPANY SECRETARY
Mr Richard Kin-sing LEE

MEMBERS OF AUDIT COMMITTEE
Mr Simon James MCDONALD (Chairman)
Mr Brett Harold KRAUSE
Mr Robin Tom HOLDSWORTH

MEMBERS OF NOMINATION COMMITTEE
The Right Honourable Sir Hugo George William SWIRE, KCMG (Chairman)
Mr Brett Harold KRAUSE
Ms Jingsheng LIU

MEMBERS OF REMUNERATION COMMITTEE
Mr Brett Harold KRAUSE (Chairman)
Mr Jeffrey David PERLMAN
Mr Simon James MCDONALD

AUTHORISED REPRESENTATIVES
Mr Jinchu SHEN
Mr Richard Kin-sing LEE

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Crédit Agricole Corporate and Investment Bank, Hong Kong branch
Credit Suisse AG
DBS Bank Ltd.
Deutsche Bank AG, Singapore branch
E. Sun Commercial Bank, Ltd
MUFG Bank, Ltd
RHB Bank Berhad
Standard Chartered Bank
SRCB Shanghai
Sumitomo Mitsui Banking Corporation
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