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ESR CAYMAN LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1821)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board of directors (the “**Board**”) of ESR Cayman Limited (the “**Company**” or “**ESR**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2021 (the “**Year**”, or “**FY2021**”) together with the comparative figures for the year ended 31 December 2020 (“**FY2020**”), as follows:

FINANCIAL HIGHLIGHTS

	2021	2020	Year-on-Year Change*
	US\$'000	US\$'000	%
Revenue	404,426	388,331	4.1
Revenue (excluding construction revenue)	360,611	296,171	21.7
Profit for the year	382,676	314,707	21.6
Profit for the year (adjusted) ⁽ⁱⁱ⁾	410,494	314,707	30.4
EBITDA ⁽ⁱ⁾	664,198	571,177	16.3
Adjusted EBITDA ^{(i), (ii)}	430,763	366,004	17.7
Segmental results (EBITDA)	776,773	662,714	17.2
PATMI	349,440	286,466	22.0
PATMI (adjusted) ⁽ⁱⁱ⁾	377,258	286,466	31.7
Core PATMI ^{(i), (ii)}	316,015	259,941	21.6
Cash	1,638,228	1,515,430	8.1
Net debt/total assets (Gearing ratio)	27.9%	23.2%	4.7pp

- * Year-on-Year (“**YoY**”) Change% represents a comparison between the current year and the last year.
- (i) EBITDA, Adjusted EBITDA and Core PATMI are non-IFRS measures. EBITDA is calculated as profit before tax, adding back depreciation and amortisation and finance costs (net). Refer to Non-IFRS measures in page 17 for calculations of Adjusted EBITDA and Core PATMI.
- (ii) Excluding transaction costs related to ARA acquisition of US\$27.8 million as mentioned under paragraph headed “Events after the reporting date”.

REVENUE

	2021 US\$'000	2020 US\$'000	Year-on-Year Change* %
Revenue by country			
China	124,998	95,455	30.9
Japan	107,676	73,368	46.8
South Korea	52,956	48,601	9.0
Singapore	25,205	23,055	9.3
Australia [#]	87,520	141,227	(38.0)
India	6,071	6,625	(8.4)
	404,426	388,331	

[#] Includes construction revenue.

* Year-on-Year (“YoY”) Change% represents a comparison between the current year and the last year.

OPERATIONAL HIGHLIGHTS

The following table summarises Asset Under Management (“AUM”) and Gross Floor Area (“GFA”) held on the Group’s balance sheet and in the funds and investment vehicles that the Group managed as of 31 December:

Country	AUM		GFA	
	2021 (US\$’ millions)	2020	2021 (sqm in thousands)	2020
China	9,791	6,744	9,152	8,492
Japan	9,337	7,877	4,430	3,544
South Korea	9,226	7,734	4,344	3,501
Singapore	2,969	2,974	1,812	1,786
Australia	6,927	3,386	4,026	1,361
India	1,137	1,165	1,513	1,426
Indonesia	50	–	216	–
	39,437	29,880	25,493	20,110

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During FY2021, ESR continued its strong momentum and delivered outstanding performance (“**FY2021**”) on the back of strong demand for e-commerce and the growth of data consumption which have accelerated during Covid-19. ESR’s outstanding financial results and operational performance have demonstrated not only the Group’s resilience, but also the strength and power of its business model to deliver best-in-class investment solutions and New Economy infrastructure to its capital partners and customers.

Revenue (excluding construction revenue) for FY2021 was US\$360.6 million, up 21.7% from US\$296.2 million in FY2020. Total segmental EBITDA increased by 17.2% from US\$662.7 million in FY2020 to US\$776.8 million in FY2021. Fund Management EBITDA recorded accelerating growth with a 34.8% year-on-year increase from US\$147.6 million in FY2020 to US\$199.0 million in FY2021. Net profit attributable to the owners of the Company¹ (“**PATMI**”) grew 31.7% from US\$286.5 million in FY2020 to US\$377.3 million in FY2021. 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 focus on accelerating its asset light strategy as well as its disciplined capital management.

2021 was another record year for ESR which was further punctuated by the transformational acquisition of ARA Asset Management (“**ARA**”) to create Asia Pacific’s (“**APAC**”) largest real asset manager powered by the New Economy. Backed by the strongest secular trends in APAC including the continued rise of e-commerce, digital transformation and the emerging growth of the REIT sector, the Group is uniquely positioned to capture a US\$2.5 trillion total addressable market². As capital partners seek to deploy more and more capital with fewer managers in APAC, the ESR Group strives to deliver a fully integrated one-stop solution which will be fueled by the leading New Economy real estate platform with US\$59 billion in AUM and a development work-in-progress (“**WIP**”) of over US\$10 billion across APAC.

Record performance in assets under management (“AUM”) growth and capital raising

ESR’s Fund Management segment continued to achieve record performance in FY2021 with EBITDA growing 34.8% to US\$199.0 million, driven by the continued growth in the Group’s fund AUM which rose 31% year-on-year to US\$35.6 billion; the robust development WIP which reached a record US\$7.1 billion; and record leasing activity with over 3.3 million sqm of space leased across portfolio.

Supported by its well-established fund management platform, together with the on-going acceleration in fundraising momentum, the Group’s total AUM reached US\$39.4 billion, up 32% year-on-year.

¹ Excluding transaction costs relating to ARA

² Source: JLL estimates

Fundraising for logistics in APAC has taken off and is now outpacing the traditional markets in Europe and North America. Global institutional investors are seeking to rebalance their portfolio allocations in light of the transformational impact of technology to their existing real estate portfolios. Building on the strong capital partner relationships and track record ESR has built over the years, the Group raised a record US\$5.8 billion in committed capital in nine new and/or upsized vehicles across Japan, South Korea, China and Australia representing a 64.3% year-on-year growth.

Specifically, 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, marked the largest-ever logistics property transaction in Australia. The acquisition represents over a 100% uplift in ESR Australia's AUM, which is now valued at US\$6.9 billion, and positions ESR as the third largest logistics and industrial owner in the country, within three years of entering the Australian market. ESR acquired the Milestone at 94.2% occupancy and through its rigorous asset management and tenant centric approach, portfolio occupancy has improved to 99.5% while the value of the portfolio increased by approximately US\$140 million, or 5.5%, within six months after the completion of the acquisition.

Fundraising momentum remains strong as the Group continues to deepen its relationships with new and existing capital partners. As of 31 December 2021, the Group had over US\$5.7 billion worth of committed but uncalled capital to invest in new projects going forward.

Robust development activities and leasing performance

As of 31 December 2021, ESR had over 25.5 million sqm of GFA in operation and for development across its portfolio, including a landbank of over 3.9 million sqm. Its APAC wide portfolio achieved outstanding performance across multiple fronts, including new development starts, development WIP and leasing.

Development demand remained robust with WIP growing 51% to a record US\$7.1 billion in FY2021. The Group achieved US\$3.3 billion worth of development starts and US\$1.4 billion in development completions during the year. ESR has reinforced its market leadership in the region, with a development pipeline of over 17.7 million sqm across its portfolio³. 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.

As the ESR platform continues to expand, the Group has also sought to expand its footprint in Southeast Asia, one of the fastest growing regions in the world. In Vietnam, ESR launched a 240,000 sqm development in Binh Duong, a major industrial development hub in southern Vietnam, in partnership with the leading local logistics and industrial developer and operator in Vietnam, BW Industrial.

³ Includes MOU as of December 2021, under development and land bank

The Group once again achieved record leasing of over 3.3 million sqm of space, which is primarily driven by e-commerce acceleration and supply chain resilience which spurred demand for modern, institutional-grade logistics facilities. Concurrently, occupancy across the Group's portfolio also improved to 94%⁴.

Strong balance sheet and continued asset light trajectory

ESR has a robust and well-capitalised balance sheet with US\$1.6 billion in cash, and net debt over total assets of 27.9% as of 31 December 2021. Throughout the year, the Group continues to expand and diversify its funding and capital structure, which is crucial for fuelling the Group's long-term growth.

- 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 April 2021, the Group 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 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 November 2021, the Group closed its first Sustainability-Linked Loan (“**SL**L”) of US\$700 million which was subsequently upsized to US\$1 billion at Libor +2.25% and 2.75% for 3-year and 5-year tranches respectively.

The Group continues to be focused on its asset light approach, with over US\$800 million of divestments from balance sheet to ESR managed funds and received over US\$500 million net cash which was subsequently recycled back for future growth as of 31 December 2021. 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 marked 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**”), a leading real estate fund manager in Australia, with A\$272 million (approximately US\$207.4 million) of total gross proceeds. The investment generated a 23.0% unleveraged IRR⁵.

⁴ Based on stabilised assets on balance sheet and portfolio assets held in funds and investment vehicles as of 31 December 2021

⁵ Includes dividends

Continued emphasis and focus on Environmental, Social and Governance (“ESG”)

ESR’s vision for sustainable development is to enhance shareholder value while contributing positively to society and the environment. Throughout 2021, the Group made great strides in strengthening its ESG efforts and initiatives that aligned with the focuses and strategies set out in the ESG 2025 Roadmap. In November 2021, ESR closed its inaugural US\$1 billion SLL, which marked its first step into sustainable financing, as it continued to integrate ESG into its financial management, operations and future planning. Moreover, ESR once again achieved outstanding GRESB scores across funds and markets. It was also awarded an MSCI ESG rating of A, in recognition of its outstanding performance in ESG best practices.

Committed to sustainable and efficient operations, ESR has made energy sustainability a priority by actively developing rooftop solar panels to further increase solar power generation in all markets. It is on track to exceed its 2025 target of increasing solar power generation capacity by 50%. To further such commitment and efforts, the Group has commissioned ongoing third-party solar feasibility studies to increase renewable energy performance across the portfolio, leading to improved efficiency of tenants’ operations.

The Group also works closely with local authorities and communities to support the well-being and needs of societies through a wide range of campaigns and initiatives, from fostering community engagement through the sponsorship of local amateur football league to offering its facilities to assist the implementation of disaster response measures.

Lastly, to uphold the Group’s commitment to diversity and inclusion, the Company (in conjunction with the nomination committee) is planning to add two additional female independent non-executive directors to the Board this year as a part of the annual rotation of directors.

OUTLOOK

Asia, at the centre of all logistics activity, is projected to recover faster than other regions in terms of both economic growth and investment. It is expected that 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 2025⁶.

As an enlarged Group, ESR will continue its asset-light strategy with high quality New Economy assets and it will concurrently enhance its fund management segment with more fee-income generating products that position the Group well for future growth. With the closing of the ARA acquisition in January 2022, ESR is well-positioned as APAC's leading real asset manager powered by the New Economy and has a combined AUM of over US\$140 billion⁷ as of 31 December 2021. Underpinning this robust scale, ESR has greater depth in offering a comprehensive real asset investment solutions ecosystem, including being the largest sponsor and manager of REITs in APAC with a total of 14 REITs under one umbrella.

⁶ McKinsey & Company, Asia: The Highway of Value for Global Logistics, 19 May 2021

⁷ Including the AUM of associates Kenedix and Cromwell as of 31 December 2021

As APAC's largest real asset manager and the third largest listed real estate investment manager globally, the ESR Group maintains a dominant leadership position with approximately 84% of its assets allocated in APAC. On the back of the accelerating advancement, broad-based adoption and high frequency usage of technology, ESR is poised to deliver a fully integrated one-stop solution to leading global capital partners and customers. The Group will leverage its expanded scale and offerings, capabilities and resources to provide a suite of real estate developments and real asset investment solutions that spur meaningful, long-term sustainable value for all its stakeholders.

Investment Segment

With more than 54% of the enlarged Group's AUM focused on New Economy⁸, ESR anticipates 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 markets which have seen expansion by repeat tenants, redevelopment opportunities and acquisitions.

Fund Management Segment

Logistics and data centre funds continued to accelerate further in 2021 and beyond as institutional investors started to strategically reallocate their portfolios to enhance diversification. 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 term⁹.

The Group remains agile to robust customer-led demand, as it adapts to the changing consumption habits and structural shifts in the New Economy sector. In FY2021, ESR continued to see strong capital flows and raised over US\$5.8 billion through the establishment and/or re-ups of new funds across Japan, South Korea, China and Australia. These included a JPY75 billion (approximately US\$675 million) expansion of RJLF3 with APG and another global institutional investor, a US\$500 million upsized investment with CPP Investments in the Korea Income Joint Venture, a US\$1 billion investment partnership with GIC for a newly formed investment vehicle, EMP, for the Milestone Portfolio acquisition in Australia, and 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. We expect to continue to deepen our strong relationships with new and existing capital partners, while maintaining our asset-light fund management strategy. Including ARA and LOGOS, the new committed capital raised across ESR Group hit a record US\$13.2 billion.

⁸ Enlarged group's AUM excluding associates

⁹ JLL, A New Trajectory For Logistics Real Estate In Asia Pacific, July 2021

Development Segment

The Group will continue to strengthen its market leadership position across its core markets. As at 31 December 2021, ESR together with LOGOS have a total development pipeline of over 24.3 million sqm across the Group's portfolio including a landbank of over 5.1 million sqm. The Group also has the largest WIP in the APAC region of US\$10.5 billion. 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.

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. Some of the sizable completions expected across key markets include:

- The 365,385 sqm ESR Higashi Ogishima Distribution Centre in Greater Tokyo, which is set to be completed in March 2023.
- The 195,000 sqm ESR Yokohama Sachiura Distribution Centre 2 scheduled for completion in early 2023, is the second phase of ESR Yokohama Sachiura Logistics Park which provides approximately 800,000 sqm of space over four phases, making it the largest logistics park in Japan when fully developed.
- Korea's Opo Logistics Park which spans a GFA of area 248,557 sqm.
- LOGOS' Moorebank project in Sydney, Australia with a GFA of more than 860,000 sqm.
- LOGOS' Tuas Logistics Hub in Singapore with a GFA of area 248,364 sqm.
- LOGOS' New Zealand Wiri Logistics Estate with a GFA of 114,765 sqm.

Strengthened New Economy ecosystem with a robust digital infrastructure platform

Data centres are a key strategic focus for ESR as the Group seeks to build out a broader New Economy real estate platform. ESR has built a solid foundation for its data centre platform through strategic acquisitions of prime assets in FY2021. These included the acquisition of a 25 megawatt ("MW") data centre refurbishment in Hong Kong and the 98MW multi-phase data centre campus project near Osaka CBD, Japan.

As of 31 December 2021, ESR's data centre portfolio consists of six owned development assets totaling 260MW IT load in Hong Kong, Osaka, Sydney, Mumbai, Jakarta, and Singapore. It also has operational assets in master-leases to key operators in Osaka, Singapore, China and South Korea. A strong pipeline of assets in Tokyo, Osaka, Seoul, Beijing, and Taipei would propel the portfolio further.

With the closing of the ARA acquisition which brings together LOGOS to form a multi-pronged platform, the enlarged ESR Group has a combined data centre pipeline of over 1,200MW of capacity across the region, reinforcing the robust prospects of the Group's US\$59 billion¹⁰ New Economy real estate platform. ESR is set to accelerate the rollout of its data centre strategy with more expansive offerings to capitalise on the market's outsized growth, including the plan to raise its inaugural data centre funds in 2022.

Looking ahead, the Group remains confident in the strong fundamentals and future prospects for real assets. 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.

¹⁰ Include ESR-REIT, ARA LOGOS Logistics Trust and ESR Kendall Square REIT

FINANCIAL REVIEW

ESR delivered another outstanding performance for the year ended 31 December 2021, with a robust and well-capitalised balance sheet backed by US\$1.6 billion cash balance and net debt over total assets of 27.9% as of year-end. This is in line with ESR's focus on advancing its asset light strategy and disciplined capital management.

The Group reported strong YoY growths as below:

- Revenue (excluding construction revenue) increased by 21.7% from US\$296.2 million in FY2020 to US\$360.6 million in FY2021;
- Adjusted EBITDA increased by 17.7% from US\$366.0 million in FY2020 to US\$430.8 million in FY2021;
- Fund management EBITDA (segment result) increased by 34.8% from US\$147.6 million in FY2020 to US\$199.0 million in FY2021;
- PATMI (adjusted) (excluding transaction costs related to ARA) increased by 31.7% from US\$286.5 million in FY2020 to US\$377.3 million in FY2021; and
- Profit for the year (adjusted) (excluding transaction costs related to ARA) increased by 30.4% from US\$314.7 million in FY2020 to US\$410.5 million in FY2021.

REVENUE

The Group's revenue increased to US\$404.4 million in FY2021 from US\$388.3 million in FY2020. Total group revenue (ex-construction) increased by 21.7% from US\$296.2 million in FY2020 to US\$360.6 million in FY2021, driven by higher fees from fund management segment.

Management fee increased by 28.9% from US\$189.3 million in FY2020 to US\$244.0 million in FY2021 supported by well-established fund management platform with record AUM growth of US\$39.4 billion, up 32% YoY.

Construction revenue were from outstanding projects executed after disposal of construction arm by ESR Australia in September 2020. Accordingly, overall construction revenue decreased by 52.5% from US\$92.2 million in FY2020 to US\$43.8 million in FY2021, with cost of sales also decreased correspondingly.

Rental income increased by 9.0% from US\$101.4 million in FY2020 to US\$110.5 million in FY2021. Excluding the effect of from disposal of ESR Australia Logistics Partnership (“EALP”) in June 2020, rental income increased by 30.3% YoY, driven by robust leasing from New Economy demand.

Geographically, revenue from Australia made up of 21.6% of the Group's revenue, decreased from US\$141.2 million in FY2020 to US\$87.5 million in FY2021 mainly due to disposal of construction arm. Excluding construction revenue, revenue from Australia made up of 12.1% of the Group's revenue. China, Japan and South Korea markets accounted for 79.2% of the Group's revenue (ex-construction). These four markets collectively made up of 91.3% of the Group's revenue. Singapore and India made up of the remaining 8.7%.

PATMI AND EBITDA

EBITDA increased by 16.3% from US\$571.2 million in FY2020 to US\$664.2 million in FY2021. PATMI (excluding transaction costs related to ARA) increased by 31.7% from US\$286.5 million in FY2020 to US\$377.3 million in FY2021. Higher PATMI and EBITDA were driven by accelerating growth in the Group's fund management AUM, co-investments in associates and joint ventures.

Fair value gain on investment properties increased by 22.2% to US\$274.5 million in FY2021 from US\$224.7 million in FY2020. The increase was mainly contributed by data centre assets acquired in Osaka, Japan and Hong Kong during the year.

The Group's share of profits from joint ventures and associates increased close to 60.0% from US\$105.1 million in FY2020 to US\$168.1 million. The growth is driven by the Group's investment in South Korea and ESR Milestone Partnership ("**Milestone Portfolio**") in Australia. The acquisition of the A\$3.8 billion Milestone Portfolio comprising 45 high-quality, income producing assets over 3.6 million sqm and the associated operating business, by ESR Australia was completed in June 2021. Milestone Portfolio value that has increased by 5.5% in six months since acquisition contributed to the Group's share of its results. Additionally, the Group recorded higher share of results in its co-investment in South Korea driven by higher assets value appreciation.

The Group's weighted average interest rate cost as of 31 December 2021 was 4.1% compared to 4.6% as of 31 December 2020. Overall finance cost increased by US\$16.1 million or 10.9% in FY2021 despite total borrowings increased by 28.9% year-on-year. With the Group's disciplined capital management, it has lowered its cost of fundings.

Administrative expenses increased by 19.9% from US\$201.7 million in FY2020 to US\$241.8 million in FY2021 primarily due to higher non-recurring professional fees incurred for acquisitions of assets and investments, and operating costs to support growth and expansion of the Group. Excluding transaction costs related to ARA, administrative expenses increased by 6.1% from US\$201.7 million in FY2020 to US\$214.0 million in FY2021.

SEGMENT RESULTS

Investment segment results increased by 51.6% from US\$225.9 million in FY2020 to US\$342.5 million in FY2021. The increase was mainly contributed by (i) fair value gain from the Group's investment properties in China, and newly acquired data centre assets in Hong Kong and Osaka, Japan; and (ii) Higher share of results from co-investments in South Korea and Milestone Portfolio in Australia.

In FY2021, the Group recorded dividend income of US\$32.6 million from distributions received Japan co-investments. Accordingly, the Group recorded share of reduction in the carrying value in these co-investments of US\$32.0 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\$28.1 million.

The fund management segment result increased by 34.8% from US\$147.6 million in FY2020 to US\$199.0 million in FY2021. The increase was driven by fund AUM growth across its Australia, Japan and South Korea platforms and higher recurring income base. The Group saw higher growth in fund management EBITDA of 34.8% vis-à-vis 28.9% growth in fund management revenue benefitting from the economies of scale achieved to date in its fund management platform.

The development segment result decreased by 18.6% from US\$289.2 million in FY2020 to US\$235.3 million in FY2021. The decrease was attributable mainly to gain on disposal of Higashi Ogishima Site A amounted to US\$19.4 million; and a gain on sale of development management rights of US\$12.3 million in Australia to one of the Group's joint ventures. There were no such material divestments of assets by the Group's subsidiaries in FY2021. In addition, the Group recorded a lower share of fair value of its co-investments in funds post-completion of development and sell down of assets held by its co-investments in FY2020. The decrease in development segment result is partially offset with the increase in fair value from new development in China.

ASSETS

The Group had a robust and well-capitalised balance sheet with US\$1.6 billion in cash and total assets increased from US\$7.7 billion as of 31 December 2020 to US\$9.3 billion as of 31 December 2021. Increase in total assets was mainly driven by new investments in associates in Australia and China, acquisitions of strategic data centres assets; as well as goodwill arising from Milestone Operations Limited (“MOL”).

Investment properties increased by 39.1% to US\$3.7 billion as of 31 December 2021 (FY2020: US\$2.7 billion). The increase was contributed by ESR's strategic acquisitions of prime assets near Osaka CBD, Japan that will be developed into a 98 MW multi-phase data centre campus; and an asset in Kwai Chung in Hong Kong that will be redeveloped into a 25 MW data centre; development of projects including ESR Shanghai Qingpu Yurun Phase II, an ESR flagship project, as well as fair value appreciation across ESR's properties portfolio.

Investment in joint ventures and associates increased by 23.0% to US\$1.3 billion as of 31 December 2021 (FY2020: US\$1.1 billion) contributed by the Group's acquisition of ESR Milestone Partnership in June 2021, in addition of higher share of results from existing joint ventures in China and South Korea. Increase in goodwill of US\$202.4 million to US\$542.6 million as of 31 December 2021, was from acquisition of MOL. The Group also recorded an increase in intangible balances, net of amortisation; and deferred tax assets from the acquisition of MOL.

Investment in listed securities decreased by 11.3% to US\$779.4 million (FY2020: US\$878.3 million), which was mainly due to a disposal of Centuria Capital Group ("CNI") shares during the year. The reduction was partially offset with an increase in holding of the Group's existing investments in ESR Kendall Square REIT on the KRX KOSPI market and increase in fair values of the Group's other existing listed securities investments.

LIABILITIES

Total bank and other borrowings as of 31 December 2021 were US\$4.2 billion compared to US\$3.3 billion as of 31 December 2020. With cash balance of US\$1.6 billion, the net debt to total assets as of 31 December 2021 was 27.9% (FY2020: 23.2%).

During the year, the Company continued to expand and diversify its funding and capital structure with additional major borrowings below to support the Group's long-term growth:

- 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%.
- In November 2021, ESR closed its first Sustainability-Linked Loan ("SLL") of US\$700 million which was subsequently upsized to US\$1 billion at Libor plus 2.25% and Libor plus 2.75% for 3-year and 5-year tranches respectively. The loan has a tiered incentive mechanism whereas ESR will be entitled to an interest reduction as sustainability targets are achieved. The first US\$500 million was drawn down in November 2021 and another US\$500 million has been drawn down post year-end.

Subsequent to year-end, the Company has secured a 5-year senior unsecured, committed corporate SLL of JPY28 billion (approximately US\$243 million) with an option to upsize to JPY35 billion (approximately US\$303 million). Similar to the SLL US\$1 billion corporate facility, the Company will be entitled to a reduction of interest rate (currently at Tibor plus 1.80%) as sustainability targets are achieved. On 3 February 2022, the Company made repayment in full of its S\$350 million 6.75% fixed-rate notes issued pursuant to the US\$2 billion Multicurrency Debt Issuance Programme (“**EMTN Programme**”). Together with new borrowings entered into during FY2021, these have further lowered the Group’s overall cost of funding.

Further to refinancing with longer tenor corporate borrowings, the Group’s weighted average debt maturity had increased to approximately 4.5 years (31 December 2020: 3 years) as of 31 December 2021.

EVENTS AFTER THE REPORTING DATE

On 4 August 2021, the Company entered into an Acquisition Agreement in relation to a business combination of the Group with ARA Asset Management Limited and its subsidiaries (“**ARA Group**”) (“**ARA Acquisition**”). The total consideration is US\$4,859 million, determined based on prevailing share price on completion of HK\$25.15 per share. The acquisition was completed on 20 January 2022. On completion, ARA Group will become a wholly-owned subsidiary of the Company and accordingly, the financial results of the ARA Group will be consolidated into the accounts of the Company (“**Enlarged Group**”). Appendix I to this announcement of final results sets out certain unaudited pro forma financial information of the Enlarged Group, which illustrates the financial effects of ARA Acquisition, assuming completion had taken place on (i) 1 January 2021 in respect of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group; and (ii) 31 December 2021 in respect of the unaudited pro forma consolidated statement of financial position of the Enlarged Group.

On 3 February 2022, the Company made payment for the redemption in full of all the outstanding S\$350 million 6.75% Fixed Rate Notes (“**Notes**”) issued pursuant to the US\$2 billion Multicurrency Debt Issuance Programme. Following the full redemption of all the outstanding Notes, the Notes had been cancelled in accordance with the terms and conditions of the Notes, and following such cancellation, there are no outstanding Notes.

NON-IFRS MEASURES

Adjusted EBITDA

The following table sets out the reconciliations of Adjusted EBITDA:

	2021 US\$'000	2020 US\$'000
Profit before tax	488,840	410,704
<i>Add/(less):</i>		
Depreciation and amortisation	17,137	17,141
Finance costs	163,549	147,414
Interest income	(5,328)	(4,082)
EBITDA	664,198	571,177
<i>Add/(less):</i>		
Equity-settled share option expense	14,818	14,082
Exchange (gain)/loss	(1,587)	5,425
Transaction costs related to ARA	27,818	–
Fair value gains on investment properties	(274,484)	(224,680)
Adjusted EBITDA	430,763	366,004

Core PATMI

The following table sets out the reconciliations of Core PATMI:

	2021 US\$'000	2020 US\$'000
Profit after tax and minority interests	349,440	286,466
<i>Add/(less):</i>		
Fair value gains on completed investment properties	(95,825)	(53,717)
Tax effects of adjustments	19,764	13,110
Transaction costs related to ARA	27,818	–
Equity-settled share option expense	14,818	14,082
Core PATMI	316,015	259,941

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.

LIQUIDITY AND CAPITAL RESOURCES

	As at 31 December 2021 US\$'000	As at 31 December 2020 US\$'000
Bank and other borrowings		
– Current	1,312,883	733,660
– Non-current	2,935,012	2,561,618
Bank and other borrowings – Total	4,247,895	3,295,278
Less: Cash and bank balances	(1,638,228)	(1,515,430)
Net debts	2,609,667	1,779,848
Total assets	9,337,618	7,687,441
Gearing ratio (net debts/total assets)	27.9%	23.2%
Total equity	4,414,035	3,805,205
Net debts to equity ratio	59.1%	46.8%

Net debts as of 31 December 2021 was US\$2.6 billion compared to US\$1.8 billion as of 31 December 2020. Higher borrowings were mainly due to additional loans to fund the Group's investments including development. Out of current borrowing of US\$1.3 billion, the Group had repaid approximately 35% as of date of the announcement and another 32% relating to US\$425 million 7.875% fixed-rate notes will be repaid on 4 April 2022.

Total equity has increased from US\$3.8 billion as at 31 December 2020 to US\$4.4 billion as at 31 December 2021, primarily from net profit for the year of US\$382.7 million and US\$256.3 million (net of issuance costs) from the Perpetual Securities NC5 5.65%. In March 2021, the Company issued an aggregate principal amount of S\$200 million (approximately US\$148.6 million) NC5 fixed rate perpetual resettable step-up subordinated securities at a distribution rate of 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% with an aggregate principal amount of S\$150 million (approximately US\$111.6 million) bringing the aggregate total amount to S\$350 million (approximately US\$260.2 million). In addition, there was a gain of US\$45.7 million arising from mark-to-market of Group's investment in listed securities (classified as financial assets at fair value through other comprehensive costs).

The above increases are partially offset by decreases contributed by: (1) translation exchange difference of US\$50.9 million mainly from the Group's Japan and Korea operations arising from strengthening of US dollars against Japanese Yen and Korean Won during the period; and (2) share repurchased of US\$42.1 million during the year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	2021 US\$'000	2020 US\$'000
REVENUE	3, 4	404,426	388,331
Cost of sales		<u>(53,967)</u>	<u>(103,402)</u>
Gross profit		350,459	284,929
Other income and gains, net	4	375,701	369,783
Administrative expenses		(241,825)	(201,680)
Finance costs	6	(163,549)	(147,414)
Share of profits and losses of joint ventures and associates, net		<u>168,054</u>	<u>105,086</u>
Profit before tax		488,840	410,704
Income tax expense	5	<u>(106,164)</u>	<u>(95,997)</u>
Profit for the year		<u>382,676</u>	<u>314,707</u>
Attributable to:			
Owners of the Company		349,440	286,466
Non-controlling interests		<u>33,236</u>	<u>28,241</u>
		<u>382,676</u>	<u>314,707</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic			
For profit for the year	8	<u>US\$0.11</u>	<u>US\$0.09</u>
Diluted			
For profit for the year	8	<u>US\$0.11</u>	<u>US\$0.09</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

Year ended 31 December 2021

	2021 US\$'000	2020 US\$'000
Profit for the year	382,676	314,707
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(50,851)	175,451
Share of other comprehensive (loss)/income of joint ventures and associates	(31,044)	68,806
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	(81,895)	244,257
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value of financial assets at fair value through other comprehensive income	45,674	84,129
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	45,674	84,129
Other comprehensive (loss)/income for the year, net of tax	(36,221)	328,386
Total comprehensive income for the year	346,455	643,093
Attributable to:		
Owners of the Company	307,227	602,960
Non-controlling interests	39,228	40,133
	346,455	643,093

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 US\$'000	2020 US\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		33,937	31,916
Right-of-use assets		8,940	12,475
Investments in joint ventures and associates		1,331,017	1,082,290
Financial assets at fair value through profit or loss		709,622	678,864
Financial assets at fair value through other comprehensive income		779,436	878,300
Investment properties	9	3,704,243	2,663,717
Goodwill		542,636	340,243
Other intangible assets		101,694	86,663
Other non-current assets		90,867	62,555
Deferred tax assets		114,956	24,261
		<u>7,417,348</u>	<u>5,861,284</u>
CURRENT ASSETS			
Trade receivables	10	125,968	94,673
Prepayments, other receivables and other assets		156,074	209,322
Cash and bank balances		1,638,228	1,515,430
		<u>1,920,270</u>	<u>1,819,425</u>
Assets classified as held for sale		–	6,732
		<u>1,920,270</u>	<u>1,826,157</u>
CURRENT LIABILITIES			
Bank and other borrowings	12	1,312,883	733,660
Lease liabilities		3,488	6,568
Trade payables, accruals and other payables	11	235,922	226,314
Income tax payable		29,550	19,120
		<u>1,581,843</u>	<u>985,662</u>
NET CURRENT ASSETS		<u>338,427</u>	<u>840,495</u>
TOTAL ASSETS LESS CURRENT LIABILITIES <i>(to be continued)</i>		<u>7,755,775</u>	<u>6,701,779</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 31 December 2021

	Note	2021 US\$'000	2020 US\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES <i>(continued)</i>		7,755,775	6,701,779
NON-CURRENT LIABILITIES			
Deferred tax liabilities		355,212	280,973
Bank and other borrowings	12	2,935,012	2,561,618
Lease liabilities		5,601	6,825
Other non-current liabilities		45,915	47,158
		<hr/>	<hr/>
Total non-current liabilities		3,341,740	2,896,574
		<hr/>	<hr/>
NET ASSETS		4,414,035	3,805,205
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital		3,049	3,060
Perpetual capital securities		261,147	–
Equity components of convertible bonds		48,501	48,501
Other reserves		3,846,161	3,544,648
		<hr/>	<hr/>
		4,158,858	3,596,209
Non-controlling interests		255,177	208,996
		<hr/>	<hr/>
TOTAL EQUITY		4,414,035	3,805,205
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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 is Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Group is 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

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IAS”) and Interpretations) issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. 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. Non-current assets held for sale are stated at the lower of their carrying amount and fair values less cost to sell. These financial statements are presented in US\$, with values rounded to the nearest thousand except when otherwise indicated.

2.2 ADOPTION OF NEW AND AMENDMENTS TO IFRSs

The Group has adopted the following revised IFRSs for the first time for the current year’s financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phrase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The adoption of the revised IFRSs did not have any significant impact on the Group’s financial positions and performance or result in any significant changes to the Group’s significant accounting policies.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period on 31 December 2021, and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group's financial statements.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework¹</i>
Amendments to IFRS 10 and IAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
IFRS 17	<i>Insurance Contracts²</i>
Amendments to IFRS 17	<i>Insurance Contracts^{2,5}</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current^{2,4}</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies²</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates²</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction²</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use¹</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract¹</i>
Annual Improvements to IFRSs 2018-2020	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41¹</i>

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the amendments to IAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

⁵ As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

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 the 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.

3. OPERATING SEGMENT INFORMATION *(Continued)*

	Year ended 31 December 2021			
	Investment US\$'000	Fund management US\$'000	Development US\$'000	Total US\$'000
Segment revenue	116,569	244,042	43,815	404,426
Revenue from continuing operations	116,569	244,042	43,815	404,426
Operating expenses	(27,958)	(45,086)	(89,561) [#]	(162,605)
Fair value gains on investment properties	95,825	–	178,659	274,484
Changes in carrying value of financial assets and liabilities at fair value through profit or loss	(4,506)	–	18,688	14,182
Share of profits and losses of joint ventures and associates, net	95,411	–	72,643	168,054
Gain on disposal of assets held for sale	–	–	2,885	2,885
Gain on disposal of interests in joint ventures and associates	3,315	–	8,074	11,389
Gain on disposal of interests in financial assets at fair value through profit or loss	–	–	1,074	1,074
Gain/(loss) on disposal of subsidiaries	1,373	–	(953)	420
Dividend income	62,464	–	–	62,464
Segment result	342,493	198,956	235,324	776,773
<i>Reconciliation:</i>				
Depreciation and amortisation				(17,137)
Exchange gain				1,587
Interest income				5,328
Finance costs				(163,549)
Equity-settled share option expense				(14,818)
Other unallocated gains				1,888
Corporate and other unallocated expenses				(101,232)
Profit before tax from continuing operations				488,840
Other segment information:				
Depreciation and amortisation				(17,137)
Capital expenditure*				1,077,249
Investments in joint ventures and associates				1,331,017

[#] Included construction cost of US\$43,830,000

3. OPERATING SEGMENT INFORMATION (Continued)

	Year ended 31 December 2020			
	Investment US\$'000	Fund management US\$'000	Development US\$'000	Total US\$'000
Segment revenue	106,893	189,278	92,160	388,331
– Intersegment sales	–	288	–	288
	106,893	189,566	92,160	388,619
<i>Reconciliation:</i>				
Elimination of intersegment sales	–	(288)	–	(288)
Revenue from continuing operations	106,893	189,278	92,160	388,331
Operating expenses	(33,150)	(41,680)	(119,121) [#]	(193,951)
Fair value gains on investment properties	53,717	–	170,963	224,680
Changes in carrying value of financial assets and liabilities at fair value through profit or loss	5,639	–	45,324	50,963
Share of profits and losses of joint ventures and associates, net	40,041	–	65,045	105,086
Gain/(loss) on disposal of subsidiaries	(724)	–	5,399	4,675
Dilution of interests in investment in a joint venture and financial assets at fair value through profit or loss	(398)	–	(2,320)	(2,718)
Gain/(loss) on disposal of investment properties	(2,533)	–	19,381	16,848
Gain on disposal of other assets	–	–	12,347	12,347
Dividend income	56,453	–	–	56,453
Segment result	225,938	147,598	289,178	662,714
<i>Reconciliation:</i>				
Depreciation and amortisation				(17,141)
Exchange loss				(5,425)
Interest income				4,082
Finance costs				(147,414)
Equity-settled share option expense				(14,082)
Other unallocated gains				2,453
Corporate and other unallocated expenses				(74,483)
Profit before tax from continuing operations				410,704
Other segment information:				
Depreciation and amortisation				(17,141)
Capital expenditure*				488,561
Investments in joint ventures and associates				1,082,290

Included construction cost of US\$91,674,000

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

3. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2021	2020
	US\$'000	US\$'000
China	124,998	95,455
Japan	107,676	73,368
South Korea	52,956	48,601
Singapore	25,205	23,055
Australia*	87,520	141,227
India	6,071	6,625
	<u>404,426</u>	<u>388,331</u>

* Excluding construction income, revenue from Australia was US\$43.7 million in FY2021 and US\$49.1 million in FY2020.

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

Information about major customers

Revenue from continuing operations of approximately US\$42,218,000 was derived from investment segment by a single customer for the year ended 31 December 2021. There was no single customer with revenue over 10% of the total revenue of the Group for the year ended 31 December 2020.

4. REVENUE AND OTHER INCOME AND GAINS, NET

(a) Revenue

An analysis of revenue is as follows:

	2021 US\$'000	2020 US\$'000
Rental	110,508	101,402
Management fee	244,042	189,278
Construction	43,815	92,160
Solar energy	6,061	5,491
	<u>404,426</u>	<u>388,331</u>

Timing of revenue recognition

	2021 US\$'000	2020 US\$'000
Rental	110,508	101,402
Point in time		
Management fee	69,286	54,024
Over time		
Management fee	174,756	135,254
Construction	43,815	92,160
Solar energy	6,061	5,491
	<u>404,426</u>	<u>388,331</u>

4. REVENUE AND OTHER INCOME AND GAINS, NET *(Continued)***(b) Other income and gains, net**

	2021 US\$'000	2020 US\$'000
Changes in carrying value of financial assets and liabilities at fair value through profit or loss	14,182	50,963
Dilution of interests in investment in a joint venture and financial assets at fair value through profit or loss	–	(2,718)
Dividend income	62,464	56,453
Exchange gain	1,587	–
Fair value gains on completed investment properties	95,825	53,717
Fair value gains on investment properties under construction	178,659	170,963
Gain on disposal of assets held for sale	2,885	–
Gain on disposal of interests in joint ventures and associates	11,389	–
Gain on disposal of interests in financial assets at fair value through profit or loss	1,074	–
Gain on disposal of investment properties	–	16,848
Gain on disposal of other assets	–	12,347
Gain on disposal of subsidiaries	420	4,675
Interest income	5,328	4,082
Others	1,888	2,453
	375,701	369,783

5. INCOME TAX EXPENSE

	2021 US\$'000	2020 US\$'000
Current tax	45,789	32,978
Deferred tax	60,375	63,019
	106,164	95,997

6. FINANCE COSTS

	2021 US\$'000	2020 US\$'000
Interest expense on bank loans	89,520	84,766
Interest expense on other borrowings	1,457	5,005
Interest expense on bonds	62,778	60,530
Interest expense on convertible bonds	5,239	1,334
Interest accretion on convertible bonds (note (i))	9,772	2,457
Interest expense on lease liabilities	580	1,591
	<u>169,346</u>	<u>155,683</u>
Less: Interest capitalised	<u>(5,797)</u>	<u>(8,269)</u>
	<u><u>163,549</u></u>	<u><u>147,414</u></u>

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

7. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2020: Nil).

8. EARNINGS PER SHARE

Basic earnings per share are 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 year.

	2021 US\$'000	2020 US\$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<u>349,440</u>	<u>286,466</u>
Weighted average number of ordinary shares in issue, used in the basic earnings per share calculation (in thousands)	<u>3,056,456</u>	<u>3,046,966</u>
Basic earnings per share (US\$)	<u>0.11</u>	<u>0.09</u>
Diluted earnings per share (US\$)	<u>0.11</u>	<u>0.09</u>

9. 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
	<hr/>	<hr/>	<hr/>
At 31 December 2020 and 1 January 2021	1,454,009	1,209,708	2,663,717
Additions	443,607	343,891	787,498
Acquisition of subsidiaries	226,364	30,424	256,788
Changes in fair values of investment properties	95,825	178,659	274,484
Transfer from investment properties under construction to completed investment properties	217,409	(217,409)	–
Disposal of subsidiaries	(259,895)	(15,251)	(275,146)
Exchange realignment	20,464	(23,562)	(3,098)
	<hr/>	<hr/>	<hr/>
At 31 December 2021	2,197,783	1,506,460	3,704,243
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

10. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at 31 December 2021 and 2020, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December 2021 US\$'000	As at 31 December 2020 US\$'000
Within 90 days	125,339	93,950
91 to 180 days	540	48
Over 180 days	89	675
	<hr/>	<hr/>
Total	125,968	94,673
	<hr/> <hr/>	<hr/> <hr/>

11. TRADE PAYABLES

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

	As at 31 December 2021 US\$'000	As at 31 December 2020 US\$'000
Within 30 days	306	2,061
30 to 60 days	1	64
Over 60 days	2,656	3,657
	<hr/>	<hr/>
Total	2,963	5,782
	<hr/> <hr/>	<hr/> <hr/>

12. BANK AND OTHER BORROWINGS

	As at 31 December 2021		As at 31 December 2020	
	Effective interest rate (%)	US\$'000	Effective interest rate (%)	US\$'000
Current				
Bank loans – secured	0.57-6.18	438,846	0.20-6.18	526,368
Bank loans – unsecured	3.09-4.10	192,479	3.23-4.35	207,292
Bonds – unsecured	6.75-7.88	681,558	–	–
		<u>1,312,883</u>		<u>733,660</u>
Non-current				
Bank loans – secured	0.57-6.18	794,954	1.70-6.77	803,868
Bank loans – unsecured	2.00-3.43	1,609,920	2.15-3.25	551,584
Other borrowings – unsecured	0.50-10.00	57,627	0.50-10.00	54,859
Bonds – unsecured	5.10	163,742	5.10-7.88	852,310
		<u>2,626,243</u>		<u>2,262,621</u>
Convertible bonds	5.03	308,769	5.03	298,997
		<u>2,935,012</u>		<u>2,561,618</u>
		<u><u>4,247,895</u></u>		<u><u>3,295,278</u></u>

12. BANK AND OTHER BORROWINGS *(Continued)*

Debt maturity profile of bank and other borrowings:

	As at 31 December 2021 US\$'000	As at 31 December 2020 US\$'000
Bank loans repayable		
Within one year	631,325	733,660
In the second year	621,335	464,060
In the third to fifth year, inclusive	1,488,164	726,819
Beyond five years	295,375	164,573
	<hr/> 3,036,199	<hr/> 2,089,112
Bonds and other borrowings repayable		
Within one year	681,558	–
In the second year	50,099	685,031
In the third to fifth year, inclusive	480,039	521,135
	<hr/> 1,211,696	<hr/> 1,206,166
	<hr/> 4,247,895	<hr/> 3,295,278

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2021 (2020: nil).

The Board's long term objective is to deliver returns to shareholders that is sustainable and in line with the long-term growth of the Company. It is expected that the addition of ARA Group, with its perpetual/core capital and asset-light approach, will enhance ESR's earnings resilience and capacity to pay dividends. 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 in 2Q2022, including the merits and timing of future dividend payments.

ANNUAL GENERAL MEETING (“AGM”)

The AGM will be held on Wednesday, 1 June 2022. A notice convening the AGM will be published and dispatched to the Shareholders in the manner required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 27 May 2022 to Wednesday, 1 June 2022 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712 -1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30p.m. on Thursday, 26 May 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Directors of the Company have been granted the general mandate (the “**Repurchase Mandate**”) pursuant to resolutions of the Shareholders of the Company (the “**Shareholders**”) passed on 2 June 2021, to repurchase shares of the Company (the “**Shares**”) in the open market from time to time. Pursuant to the Repurchase Mandate, the Company is allowed to repurchase up to 10% of the total number of issued shares of the Company as at date of passing such resolution.

During the financial year ended 31 December 2021, the Company had repurchased, under the Repurchase Mandate, a total of 13,873,800 Shares representing approximately 0.46% of the issued Shares as at 31 December 2021 for a consideration of US\$42.0 million (approximately HK\$326.6 million, excluding transaction cost). The repurchased Shares have been cancelled.

Month	Number of shares repurchased	Purchase price per share		Aggregate consideration US\$000
		Highest HK\$	Lowest HK\$	
August 2021	6,105,000	24.50	23.55	18,811
September 2021	4,290,400	24.00	22.95	13,022
October 2021	3,478,400	23.50	22.20	10,249
Total	<u>13,873,800</u>			<u>42,082</u>

The share repurchase reflects the Company's confidence in its financial position, business fundamentals and prospects, and would, ultimately, benefit the Company and create value to the Shareholders. The share repurchase was financed by the Company with its existing available cash. The Board believes that the current financial resources of the Company would enable it to implement the share repurchase while maintaining a solid and healthy financial position for the continued growth of the Group's operations.

Saved as disclosed above, during the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices with a view of enhancing the management efficiency of the Company as well as preserving the interests of the Shareholders of the Company as a whole. The Company has applied the principles of, and complied with, the applicable code provisions set out in Part 2 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2021.

Further information on the Company's corporate governance practices will be set out in the Corporate Governance Report contained in the Company's annual report for the Year, which will be sent to the Shareholders in due course.

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 year ended 31 December 2021.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises Mr. Simon James McDonald (Chairman of the Audit Committee), Mr. Brett Harold Krause and Mr. Robin Tom Holdsworth, all of whom are Independent Non-executive Directors.

The Audit Committee has reviewed the Company’s consolidated annual results for the year ended 31 December 2021 and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The Audit Committee has also discussed the auditing, internal control and financial reporting matters.

The annual results for the year ended 31 December 2021 have been prepared in accordance with IFRSs.

SCOPE OF WORK OF ERNST & YOUNG

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

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (<http://www.esr.com>) respectively. The annual report for the year ended 31 December 2021 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and available on the same websites in due course.

By Order of the Board
ESR Cayman Limited
Jinchu Shen
Director

Hong Kong, 24 March 2022

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Jinchu Shen and Mr. Stuart Gibson as Executive Directors, Mr. Jeffrey David Perlman as the Chairman and Non-executive Director, Mr. Charles Alexander Portes, Mr. Wei Hu, Mr. David Alasdair William Matheson, Mr. Hwee Chiang Lim, Dr. Kwok Hung Justin Chiu and Mr. Rajeev Veeravalli Kannan as Non-executive Directors, Mr. Brett Harold Krause, The Right Honourable Sir Hugo George William Swire, KCMG, Mr. Simon James McDonald, Ms. Jingsheng Liu and Mr. Robin Tom Holdsworth as Independent Non-executive Directors.

APPENDIX I

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The unaudited pro forma financial information (the “Unaudited Pro Forma Financial Information”) presented below is prepared to illustrate the financial effect on the financial performance and financial position of the Enlarged Group as if the ARA Acquisition had been completed on (i) 1 January 2021 in respect of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group; and (ii) 31 December 2021 in respect of the unaudited pro forma consolidated statement of financial position of the Enlarged Group.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it may not purport to present the true picture of the financial effects on the financial performance and financial position of the Enlarged Group that would have been attained had ARA Acquisition been completed on the dates indicated herein. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group’s future financial performance and financial position.

The Unaudited Pro Forma Financial Information has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of ARA Acquisition as if ARA Acquisition had been completed on (i) 1 January 2021 in respect of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group; and (ii) 31 December 2021 in respect of the unaudited pro forma consolidated statement of financial position of the Enlarged Group.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2021 as extracted from the Group’s consolidated financial statements for the year ended 31 December 2021 as set out in this announcement of final results and the audited consolidated statement of financial position of the ARA Group as at 31 December 2021 as extracted from the audited consolidated financial statements of the ARA Group, after making pro forma adjustments relating to ARA Acquisition that are (i) directly attributable to the Transaction and (ii) factually supportable, as if ARA Acquisition had been completed on 31 December 2021.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group is prepared based on the audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2021 as extracted from Group's consolidated financial statements for the year ended 31 December 2021 as set out in this announcement of final results and the audited consolidated statement of profit or loss and other comprehensive income of the ARA Group for the year ended 31 December 2021 as extracted from the audited consolidated financial statements of ARA Group, after making pro forma adjustments relating to ARA Acquisition that are (i) directly attributable to the Transaction and (ii) factually supportable, as if ARA Acquisition had been completed on 1 January 2021.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this announcement.

Unaudited Pro Forma Consolidated Statement of Financial Position

As of 31 December 2021

	ESR Cayman Group (audited) <i>Note 1</i> US\$'000	ARA Group (audited) <i>Note 2</i> US\$'000	Reclassifications <i>Note 3</i> US\$'000	Acquisition entries <i>Note 4</i> US\$'000	SMBC subscription <i>Note 5</i> US\$'000	Acquisition of additional interest in LOGOS become 86.4% <i>Note 6</i> US\$'000	Acquisition costs <i>Note 7</i> US\$'000	Equity-settled share option paid to ARA Group employees <i>Note 8</i> US\$'000	Unaudited Pro Forma consolidated statement of financial position of the Enlarged Group US\$'000
NON-CURRENT ASSETS									
Property, plant and equipment	33,937	3,903	-	-	-	-	-	-	37,840
Right-of-use assets	8,940	14,547	-	-	-	-	-	-	23,487
Investments in joint ventures and associates	1,331,017	1,429,933	-	-	-	-	-	-	2,760,950
Financial assets at fair value through profit or loss	709,622	-	41,645	-	-	-	-	-	751,267
Financial assets at fair value through other comprehensive income	779,436	-	655,482	-	-	-	-	-	1,434,918
Investment properties	3,704,243	115,488	-	-	-	-	-	-	3,819,731
Goodwill	542,636	-	393,845	3,795,376	-	-	-	-	4,731,857
Other intangible assets	101,694	447,085	(393,845)	(52,186)	-	-	-	-	102,748
Other non-current assets	90,867	13,475	-	-	-	-	-	-	104,342
Deferred tax assets	114,956	1,994	-	-	-	-	-	-	116,950
Financial assets	-	697,127	(697,127)	-	-	-	-	-	-
Financial derivative assets	-	5,595	-	-	-	-	-	-	5,595
Total non-current assets	7,417,348	2,729,147	-	3,743,190	-	-	-	-	13,889,685
CURRENT ASSETS									
Trade receivables	125,968	49,355	43,957	-	-	-	-	-	219,280
Prepayments, other receivables and other assets	156,074	116,625	(43,957)	-	-	-	-	-	228,742
Financial assets at fair value through profit or loss	-	13,060	-	-	-	-	-	-	13,060
Financial derivative assets	-	11	-	-	-	-	-	-	11
Cash and bank balances	1,638,228	552,940	-	(519,231)	250,000	-	-	-	1,921,937
Assets held for sale	1,920,270	731,991	-	(519,231)	250,000	-	-	-	2,383,030
	-	87,974	-	-	-	-	-	-	87,974
Total current assets	1,920,270	819,965	-	(519,231)	250,000	-	-	-	2,471,004

Unaudited Pro Forma Consolidated Statement of Financial Position (Continued)

As of 31 December 2021

	ESR Cayman Group (audited) Note 1 US\$'000	ARA Group (audited) Note 2 US\$'000	Reclassifications Note 3 US\$'000	Acquisition entries Note 4 US\$'000	SMBC subscription Note 5 US\$'000	Acquisition of additional interest in LOGOS become 86.4% Note 6 US\$'000	Acquisition costs Note 7 US\$'000	Equity-settled share option paid to ARA Group employees Note 8 US\$'000	Unaudited Pro Forma consolidated statement of financial position of the Enlarged Group US\$'000
CURRENT LIABILITIES									
Bank and other borrowings	1,312,883	97,819	-	-	-	-	-	-	1,410,702
Lease liabilities	3,488	4,434	-	-	-	-	-	-	7,922
Trade payables, accruals and other payables	235,922	144,205	-	-	-	-	25,300	-	405,427
Contingent consideration payable	-	16,773	-	-	-	-	-	-	16,773
Income tax payable	29,550	54,300	-	-	-	-	-	-	83,850
	<u>1,581,843</u>	<u>317,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,300</u>	<u>-</u>	<u>1,924,674</u>
Liabilities directly associated with the assets held for sale	-	52,703	-	-	-	-	-	-	52,703
Total current liabilities	<u>1,581,843</u>	<u>370,234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,300</u>	<u>-</u>	<u>1,977,377</u>
NET CURRENT ASSETS	<u>338,427</u>	<u>449,731</u>	<u>-</u>	<u>(519,231)</u>	<u>250,000</u>	<u>-</u>	<u>(25,300)</u>	<u>-</u>	<u>493,627</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>7,755,775</u>	<u>3,178,878</u>	<u>-</u>	<u>3,223,959</u>	<u>250,000</u>	<u>-</u>	<u>(25,300)</u>	<u>-</u>	<u>14,383,312</u>
NON-CURRENT LIABILITIES									
Deferred tax liabilities	355,212	13,629	-	-	-	-	-	-	368,841
Bank and other borrowings	2,935,012	907,080	-	-	-	-	-	-	3,842,092
Lease liabilities	5,601	11,746	-	-	-	-	-	-	17,347
Derivative liabilities	-	296	-	-	-	-	-	-	296
Other non-current liabilities	45,915	20,230	-	-	-	-	-	-	66,145
Total non-current liabilities	<u>3,341,740</u>	<u>952,981</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,294,721</u>
NET ASSETS	<u>4,414,035</u>	<u>2,225,897</u>	<u>-</u>	<u>3,223,959</u>	<u>250,000</u>	<u>-</u>	<u>(25,300)</u>	<u>-</u>	<u>10,088,591</u>
EQUITY									
Equity attributable to owners of the Company									
Issued capital	3,049	1,708	-	(362)	77	-	-	-	4,472
Perpetual capital securities	261,147	704,860	-	-	-	-	-	-	966,007
Equity components of convertible bonds	48,501	-	-	-	-	-	-	-	48,501
Other reserves	3,846,161	1,114,495	-	3,224,321	249,923	48,838	(25,300)	-	8,458,438
	<u>4,158,858</u>	<u>1,821,063</u>	<u>-</u>	<u>3,223,959</u>	<u>250,000</u>	<u>48,838</u>	<u>(25,300)</u>	<u>-</u>	<u>9,477,418</u>
Non-controlling interests	255,177	404,834	-	-	-	(48,838)	-	-	611,173
TOTAL EQUITY	<u>4,414,035</u>	<u>2,225,897</u>	<u>-</u>	<u>3,223,959</u>	<u>250,000</u>	<u>-</u>	<u>(25,300)</u>	<u>-</u>	<u>10,088,591</u>

Notes for Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

- (1) The balances have been extracted from the audited consolidated statement of financial position of the Group as at 31 December 2021.
- (2) The balances have been extracted from the audited consolidated statement of financial position of the ARA Group.
- (3) Reclassifications are to align the classifications of the respective amounts of financial statement line items as shown on the consolidated statement of financial position of ARA Group to those of the consolidated statement of financial position of the Group:
 - (i) from “Financial assets (non-current)” of ARA Group to “Financial assets at fair value through profit or loss” and “Financial assets at fair value through other comprehensive income” of the Group.;
 - (ii) from “Other intangible assets” of ARA Group to “Goodwill” of the Group. This is to separate goodwill from other intangible assets and disclose as a separate line;
 - (iii) from “Prepayments, other receivables and other assets” of ARA Group to “Trade receivables” of the Group for trade balances related to fee receivables of ARA Group;
- (4) The Group has applied the acquisition accounting in accordance with IFRS 3 *Business Combinations* to account for the acquisition of ARA Group, based on net tangible asset acquired as of 31 December 2021, as if the acquisition was completed on 31 December 2021. The pro forma goodwill is calculated as follows:

	<i>Note</i>	<i>USD'000</i>
Total Consideration	<i>(a)</i>	4,859,393
Less:		
Carrying amount of net tangible assets acquired		1,779,866
Non-controlling interests of ARA Group	<i>(b)</i>	(404,834)
Perpetual capital securities	<i>(c)</i>	(704,860)
		<u>670,172</u>
Pro forma goodwill (“the Goodwill”)		<u><u>4,189,221</u></u>

- (a) Pursuant to the Acquisition Agreement, the total consideration was satisfied in the following manner:
 - (i) US\$519 million in cash, funded by internal resources of the Group and the net proceeds from the subscription of new shares by Sumitomo Mitsui Banking Corporation (“SMBC”) for US\$250 million; and
 - (ii) US\$4,340 million by the issue of 1,345,898,078 shares at HK\$25.15 per share, based on share price on completion date of 20 January 2022.

- (b) The non-controlling interests of ARA Group is measured at their proportionate share in the recognised fair value of ARA Group's identifiable net assets
- (c) The carrying amount of perpetual capital securities as of 31 December 2021 represents proceeds received upon issuance (net of issuance costs).

Pursuant to IFRS 3, the fair values of identifiable assets acquired, and liabilities assumed of the ARA Group at the date of completion shall be recognised and any excess of the Total Consideration over the fair values of the identifiable assets acquired and the liabilities assumed measured in accordance with IFRS 3 of the ARA Group shall be recognised as goodwill. As the fair values of the identifiable net assets of the ARA Group at the date of completion may be different from the carrying values of the net assets of the ARA Group as at 31 December 2021, actual excess of the Total Consideration over the fair values of the identifiable net assets of the ARA Group and the final amounts of assets and liabilities of the ARA Group recognised may be different from the amounts above.

According to the Group's accounting policy, after initial recognition, the Goodwill will be measured at cost less any accumulated impairment losses. The Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

In the preparation of this Unaudited Pro Forma Financial Information of the Enlarged Group, the Directors had performed an impairment assessment of the Goodwill in accordance with IAS 36 Impairment of Assets and the Group's accounting policy. The Directors have taken into consideration the recoverable amount and synergy effect to the business of the Enlarged Group as key parameters for the assessment and accordingly, no pro forma adjustment in respect of goodwill impairment is made by the Directors in the Unaudited Pro Forma Financial Information for the Enlarged Group. Such assessment assumed that (i) there are no major material adverse changes in the fair values of the assets and liabilities; and (ii) the identifiable assets and liabilities can be realized at their book values. However, should there be any adverse changes to the business of ARA Group, including but not limited to, any subsequent adverse changes in the operation, impairment may be required to be recognized against the Goodwill in accordance with IAS 36 and the Group's accounting policy.

The auditors have conducted their engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Unaudited Pro Forma Financial Information Included in a Prospectus* and considered that the goodwill impairment test performed by the Directors is consistent with the Company's applicable financial reporting framework and its accounting policies under that framework. However, the auditors did not perform an audit or review of the financial information used in the preparation of the goodwill impairment test prepared by the Directors.

The Directors confirmed that they will apply consistent accounting policies, principal assumptions and valuation method to assess impairment of the Goodwill in subsequent reporting periods in accordance with the requirement of IAS 36. The Company also confirmed with its auditors that they will audit and opine on the consolidated financial statements of the Company in accordance with Hong Kong Standards on Auditing.

- (5) Pursuant to the Acquisition Agreement, SMBC has subscribed for an additional 76,689,349 shares for an aggregate subscription price of US\$250 million at a subscription price of HK\$25.35 per share. The SMBC subscription shares had been issued as fully paid and rank pari passu in all respects with the shares in issue.
- (6) Upon completion, the ARA Group holds 86.4% of LOGOS. The non-controlling interests (“NCI”) share in LOGOS’ reduced from 47.8% to 13.6% accordingly. This resulted in lower total comprehensive income attributable to NCI, and higher total comprehensive income attributable to ARA Group. The financial impact was computed based on LOGOS’ total comprehensive income for the year ended 31 December 2021 as disclosed in ARA’s audited consolidated financial statements.
- (7) The adjustment represents the estimated transaction costs of approximately US\$25.3 million relating to ARA acquisition.
- (8) To retain the services of the ARA Group employees whose work is vital to the growth and continued success of the ARA Group and to incentivise and reward such employees, the Company will grant awards or other rights under the Share Incentive Plans to certain ARA Group employees following completion. The aggregate value of all such grants (calculated by reference to the net value of such grants as at their date of grant, being the share price at the relevant time net of any strike price or other exercise payment or threshold) is expected to be approximately US\$27.7 million (when fully vested) and will be made in compliance with the terms of the Share Incentive Plans and the Listing Rules.
- (9) The LOGOS Founders have entered into LOGOS Revised SHA with ARA to govern their relationship as shareholders of LOGOS with effect from Completion. Pursuant to the LOGOS Revised SHA, on or shortly after the date falling three years after Completion, the Group will acquire the LOGOS shares held by the LOGOS Founders (the “LOGOS Minority Acquisition”) at fair market value, to be determined by an independent valuer at the time of such acquisition, subject to the LOGOS Consideration Cap of US\$4.5 billion. The consideration for the LOGOS Minority Acquisition will be satisfied by an issue of new Shares based on the 60-day volume-weighted average price of the Shares to the LOGOS Founders and/or the payment of cash, at the Company’s election. As the number of consideration shares payable to the LOGOS Founders has not been fixed, the LOGOS Minority Acquisition consideration is not determinable at the date of announcement of final results.

Unaudited Pro Forma Consolidated statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	ESR Cayman Group (audited) Note 1 US\$'000	ARA Group (audited) Note 2 US\$'000	Reclassifications Note 3,4 US\$'000	Acquisition costs Note 5 US\$'000	Acquisition of additional interest in LOGOS become 86.4% Note 6 US\$'000	Equity-settled share option paid to ARA Group employees Note 7 US\$'000	Unaudited Pro Forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group US\$'000
Revenue	404,426	406,300	-	-	-	-	810,726
Cost of sales	(53,967)	-	(9,354)	-	-	-	(63,321)
Gross profit	350,459	406,300	(9,354)	-	-	-	747,405
Other income and gains, net	375,701	5,732	50,821	-	-	-	432,254
Co-investment income	-	29,172	(29,172)	-	-	-	-
Finance income	-	8,856	(8,856)	-	-	-	-
Fair value gains and exchange gains	-	5,517	(5,517)	-	-	-	-
Administrative expenses	(241,825)	(37,673)	(212,977)	(25,300)	-	(27,720)	(545,495)
Employee-related costs	-	(141,290)	141,290	-	-	-	-
Legal and professional fee	-	(22,852)	22,852	-	-	-	-
Property related expense	-	(9,354)	9,354	-	-	-	-
Depreciation and amortisation	-	(14,538)	14,538	-	-	-	-
Transaction costs and one-off expenses	-	(27,021)	27,021	-	-	-	-
Finance costs	(163,549)	(26,528)	-	-	-	-	(190,077)
Share of profits and losses of joint ventures and associates, net	168,054	156,951	-	-	-	-	325,005
Profit before tax	488,840	333,272	-	(25,300)	-	(27,720)	769,092
Income tax expense	(106,164)	(66,182)	-	-	-	-	(172,346)
Profit for the year	382,676	267,090	-	(25,300)	-	(27,720)	596,746
Attributable to:							
Owners of the Company	349,440	171,197	38,793	(25,300)	40,007	(27,720)	546,417
Perpetual capital securities holder	-	38,793	(38,793)	-	-	-	-
Non-controlling interests	33,236	57,100	-	-	(40,007)	-	50,329
	382,676	267,090	-	(25,300)	-	(27,720)	596,746

Unaudited Pro Forma Consolidated statement of Profit or Loss and Other Comprehensive Income (Continued)

For the year ended 31 December 2021

	ESR Cayman Group (audited) <i>Note 1</i> US\$'000	ARA Group (audited) <i>Note 2</i> US\$'000	Reclassifications <i>Note 3,4</i> US\$'000	Acquisition costs <i>Note 5</i> US\$'000	Acquisition of additional interest in LOGOS become 86.4% <i>Note 6</i> US\$'000	Equity-settled share option paid to ARA Group employees <i>Note 7</i> US\$'000	Unaudited Pro Forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group
Profit for the year	382,676	267,090	-	(25,300)	-	(27,720)	596,746
Other comprehensive loss							
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:							
Exchange differences on translation of foreign operations	(50,851)	(92,676)	-	-	-	-	(143,527)
Share of other comprehensive loss of joint ventures and associates	(31,044)	(3,379)	-	-	-	-	(34,423)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(81,895)	(96,055)	-	-	-	-	(177,950)
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	45,674	90,396	-	-	-	-	136,070
Share of fair value reserve of associates and joint ventures	-	14,339	-	-	-	-	14,339
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	45,674	104,735	-	-	-	-	150,409
Other comprehensive loss for the year, net of tax	(36,221)	8,680	-	-	-	-	(27,541)
Total comprehensive income for the year	346,455	275,770	-	(25,300)	-	(27,720)	569,205
Attributable to:							
Owners of the Company	307,227	167,941	38,793	(25,300)	48,838	(27,720)	509,779
Perpetual capital securities holder	-	38,793	(38,793)	-	-	-	-
Non-controlling interests	39,228	69,036	-	-	(48,838)	-	59,426
	346,455	275,770	-	(25,300)	-	(27,720)	569,205

Notes for Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Enlarged Group

- (1) The balances have been extracted from the audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2021.
- (2) The balances have been extracted from the audited consolidated statement of profit or loss and other comprehensive income of the ARA Group.
- (3) Reclassifications are to change presentation of consolidated statement of profit or loss and other comprehensive income of ARA Group to be “by function” in accordance with IAS 1 *Presentation of Financial Statements*. This is to align with the Group’s presentation of consolidated statement of profit or loss and other comprehensive income.
- (4) ARA Group’s accrued distribution of perpetual capital securities is reclassified to “Owners of the Company” to align with the Group’s presentation. ARA Group recognised perpetual capital securities as equity as it is able to defer making a distribution (subject to the terms and conditions of the securities issue) on the perpetual capital securities, and is not subject to any limits as to the number of times a distribution can be deferred.
- (5) The adjustment represents the estimated transaction costs of approximately US\$25.3 million relating to the ARA acquisition.
- (6) Upon Completion, the ARA Group holds 86.4% of LOGOS. The non-controlling interests (“NCI”) share in LOGOS’ reduced from 47.8% to 13.6% accordingly. This resulted in lower total comprehensive income attributable to NCI, and higher total comprehensive income attributable to ARA Group. The financial impact was computed based on LOGOS’ total comprehensive income for the year ended 31 December 2021 as disclosed in ARA’s audited consolidated financial statements.
- (7) To retain the services of the ARA Group employees whose work is vital to the growth and continued success of the ARA Group and to incentivise and reward such employees, the Company will grant awards or other rights under the Share Incentive Plans to certain ARA Group employees following Completion. The aggregate value of all such grants (calculated by reference to the net value of such grants as at their date of grant, being the Share price at the relevant time net of any strike price or other exercise payment or threshold) is expected to be approximately US\$27.7 million (when fully vested) and will be made in compliance with the terms of the Share Incentive Plans and the Listing Rules
- (8) Enlarged Group Segmental Information for the year ended 31 December 2021 is prepared for illustrative purposes only and because of its hypothetical nature, it may not purport to present the true picture of the financial effects on the segmental financial performance of the Enlarged Group that would have been attained had ARA Acquisition been completed on the dates as set out in the introductory paragraphs.

ARA Group reclassified its current private market, public market and corporate segments presentation into ESR's segmental information view based on segmentation split below:

- (a) Investments segment of ARA Group comprises seed capital investments into various co-investment funds and public listed real estate investment trusts ("REITs") that derive dividend income; as well as projects that are held as seed investments.
- (b) Fund Management segment of ARA Group comprises its segment results from its current private markets segment that primarily engaged in the provision of fund and property management services to (i) private real estate funds, (ii) new economy funds, (iii) credit funds and (iv) infrastructure funds. It also consists of associates that are involved in the provision of fund management businesses which include Cromwell Property Group and Kenedix Inc.
- (c) Development segment of ARA Group comprises share of profit of associates and joint ventures holding the development projects.

Notes for Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Enlarged Group

Unaudited Pro Forma Operating Segment Information

	For the year ended 31 December 2021															
	ESR Cayman Group				ARA Group				Proforma adjustments				Unaudited Pro Forma operating segment information of the Enlarged Group			
	Investment US\$'000	Fund Management US\$'000	Development US\$'000	Total US\$'000	Investment US\$'000	Fund Management US\$'000	Development US\$'000	Total US\$'000	Investment US\$'000	Fund Management US\$'000	Development US\$'000	Total US\$'000	Investment US\$'000	Fund Management US\$'000	Development US\$'000	Total US\$'000
Segment revenue	116,569	244,042	43,815	404,426	-	406,300	-	406,300	-	116,569	650,342	43,815	116,569	650,342	43,815	810,726
- Intersegment sales	-	-	-	-	-	1,669	-	1,669	-	-	-	-	-	1,669	-	1,669
Reconciliation:																
Elimination of intersegment sales	-	-	-	-	-	(1,669)	-	(1,669)	-	-	-	-	-	(1,669)	-	(1,669)
Revenue from continuing operations	116,569	244,042	43,815	404,426	-	406,300	-	406,300	-	116,569	650,342	43,815	116,569	650,342	43,815	810,726
Operating expenses	(27,958)	(45,086)	(89,561)	(162,605)	(3,919)	(161,349)	-	(165,268)	-	(31,877)	(206,435)	(89,561)	(31,877)	(206,435)	(89,561)	(327,873)
Fair value gains on investment properties	95,825	-	178,659	274,484	(4,433)	-	-	(4,433)	-	91,392	-	178,659	91,392	-	178,659	270,051
Changes in carrying value of financial assets and liabilities at fair value through profit or loss	(4,506)	-	18,688	14,182	5,526	228	-	5,754	-	1,020	228	18,688	1,020	228	18,688	19,936
Gain on fair value of derivative financial assets	-	-	-	-	-	5,489	-	5,489	-	-	-	-	-	5,489	-	5,489
Share of profits and losses of joint ventures and associates, net	95,411	-	72,643	168,054	9,274	128,169	19,508	156,951	-	104,685	128,169	192,151	104,685	128,169	192,151	325,005
Gain/(loss) on disposal of subsidiaries	1,373	-	(953)	420	(438)	300	-	(138)	-	935	300	(953)	935	300	(953)	282
Gain/(loss) on disposal of interests in joint ventures and associates	3,315	-	8,074	11,389	-	(515)	(784)	(1,299)	-	3,315	(515)	7,290	3,315	(515)	7,290	10,090
Gain on previously held interest in an associate/joint venture	-	-	-	-	-	6,248	-	6,248	-	-	-	-	-	6,248	-	6,248
Gain on disposal of financial assets at fair value through profit or loss	-	-	1,074	1,074	-	(419)	-	(419)	-	-	-	-	-	(419)	1,074	655
Gain on disposal of assets held for sale	-	-	2,885	2,885	881	815	-	1,696	-	881	815	2,885	881	815	2,885	4,581
Dividend income	62,464	-	-	62,464	25,166	4,006	-	29,172	-	87,630	4,006	-	87,630	4,006	-	91,636
Segment result	342,493	198,956	235,324	776,773	32,057	389,272	18,724	440,053	-	374,550	588,228	254,048	374,550	588,228	254,048	1,216,826

Notes for Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Enlarged Group (Continued)

Unaudited Pro Forma Operating Segment Information (Continued)

For the year ended 31 December 2021

	ESR Cayman Group				ARA Group				Proforma adjustments				Unaudited Pro Forma operating segment information of the Enlarged Group			
	Fund		Total	Development	Fund		Total	Development	Fund		Total	Development	Fund		Total	
	Investment	Management			Investment	Management			Investment	Management			Investment	Management		Investment
	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	US\$'000	
<i>Reconciliation:</i>																
Depreciation and amortisation		(17,137)	(17,137)	(14,538)	(14,538)	(14,538)	(14,538)	(14,538)	(14,538)	(14,538)	(14,538)	(14,538)	(14,538)	(14,538)	(31,675)	
Exchange gain/(loss)		1,587	1,587	(1,294)	(1,294)	(1,294)	(1,294)	(1,294)	(1,294)	(1,294)	(1,294)	(1,294)	(1,294)	(1,294)	293	
Interest income		5,328	5,328	8,856	8,856	8,856	8,856	8,856	8,856	8,856	8,856	8,856	8,856	8,856	14,184	
Finance costs		(163,549)	(163,549)	(26,528)	(26,528)	(26,528)	(26,528)	(26,528)	(26,528)	(26,528)	(26,528)	(26,528)	(26,528)	(26,528)	(190,077)	
Equity-settled share option expense		(14,818)	(14,818)	(1,724)	(1,724)	(1,724)	(1,724)	(1,724)	(1,724)	(1,724)	(1,724)	(1,724)	(1,724)	(1,724)	(44,262)	
Other unallocated gains		1,888	1,888	5,732	5,732	5,732	5,732	5,732	5,732	5,732	5,732	5,732	5,732	5,732	7,620	
Corporate and other unallocated expenses		(101,232)	(101,232)	(77,285)	(77,285)	(77,285)	(77,285)	(77,285)	(77,285)	(77,285)	(77,285)	(77,285)	(77,285)	(77,285)	(203,817)	
Profit before tax from continuing operations		488,840	488,840	333,272	333,272	333,272	333,272	333,272	333,272	333,272	333,272	333,272	333,272	333,272	769,092	
Other segment information																
Depreciation and amortisation		(17,137)	(17,137)	(14,538)	(14,538)	(14,538)	(14,538)	(14,538)	(14,538)	(14,538)	(14,538)	(14,538)	(14,538)	(14,538)	(31,675)	
Capital expenditure		1,077,249	1,077,249	1,914	1,914	1,914	1,914	1,914	1,914	1,914	1,914	1,914	1,914	1,914	1,079,163	
Investments in joint ventures and associates		1,331,017	1,331,017	1,429,933	1,429,933	1,429,933	1,429,933	1,429,933	1,429,933	1,429,933	1,429,933	1,429,933	1,429,933	1,429,933	2,760,950	

B. REPORT FROM THE AUDITOR'S ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from Ernst & Young, Certified Public Accountants, Hong Kong, which has been prepared for the purpose of inclusion in this result announcement, in respect of the unaudited pro forma financial information of the Enlarged Group.



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24 March 2022

To the Directors of ESR Cayman Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of ESR Cayman Limited (the “Company”) and its subsidiaries (collectively, the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2021, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021, and the related notes as set out on pages 40 to 52 in the Company’s result announcement dated 24 March 2022 for the year ended 31 December 2021 issued by the Company (the “Unaudited Pro Forma Financial Information”) in connection with the acquisition (the “Acquisition”) of 100% of share capital of the ARA Asset Management Limited (“ARA”, the ARA and its subsidiaries collectively referred to as the “ARA Group”) completed on 20 January 2022. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages 40 to 52 of the result announcement respectively.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group’s financial position as at 31 December 2021 and the Group’s financial performance for year ended 31 December 2021 as if the transaction had taken place at 31 December 2021 and 1 January 2021 respectively. As part of this process, information about the Group’s financial position and financial performance has been extracted by the Directors from the Group’s audited consolidated financial statements for the year ended 31 December 2021. Information about the ARA Group’s consolidated financial position and financial performance has been extracted by the Directors from the audited financial statements on the ARA Group.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirement of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Unaudited Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the auditor plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the result announcement is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Acquisition, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the auditor's judgement, having regard to the auditor's understanding of the nature of the Group, the Acquisition in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and

- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong