ESR GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1821)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board of directors (the "**Board**" and the "**Directors**" respectively) of ESR Group Limited (the "**Company**" or "**ESR**") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2023 (the "**Period**" or "**1H2023**") together with the comparative figures for the six months ended 30 June 2022 ("**1H2022**").

FINANCIAL HIGHLIGHTS

	1H2023 (Unaudited) US$'000	1H2022 (Unaudited) US$'000	**Year-on-Year Change* %**
Key financial performance			
Revenue	**455,407**	431,706	5.5
Fund Management EBITDA	**328,698**	287,907	14.2
Profit for the period	**313,870**	419,743	(25.2)
EBITDA[(i)]	**537,448**	637,135	(15.6)
Adjusted EBITDA[(i)]	**549,729**	670,036	(18.0)
PATMI	**288,965**	380,607	(24.1)
Adjusted PATMI [(i)]	**303,758**	412,027	(26.3)

	As at 30 June 2023 (Unaudited) US$'000	As at 31 December 2022 (Audited) US$'000	**Year-on-Year Change* %**
Cash	**1,126,130**	1,806,915	(37.7)
Net debt/total assets (Gearing ratio)	**27.6%**[(ii)]	22.8%	4.8pp

	1H2023 (Unaudited) US$'000	1H2022 (Unaudited) US$'000	**Year-on-Year Change* %**
Revenue by region			
Greater China	**81,227**	120,454	(32.6)
Japan	**46,545**	57,808	(19.5)
South Korea	**146,351**	71,114	105.8
Australia and New Zealand	**80,751**	93,891	(14.0)
Southeast Asia	**75,804**	65,528	15.7
India	**5,272**	6,064	(13.1)
Europe	**16,373**	11,000	48.8
Others	**3,084**	5,847	(47.3)
	455,407	431,706	

* Year-on-Year ("**YoY**") Change % represents a comparison between the first half of current year and the first half of last year.

(i) EBITDA, Adjusted EBITDA and Adjusted 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 on page 20-21 for calculations of Adjusted EBITDA and Adjusted PATMI.

(ii) With the divestments announced post 30 June 2023, the Group's gearing shall be 25.9%.

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 30 June 2023:

Region	AUM(i) 30 June 2023 (US$'billions)	GFA(ii) 30 June 2023 (sqm in millions)
Greater China	**30.8**	**14.7**
Japan	**29.9**	**4.7**
South Korea	**13.7**	**6.0**
Australia and New Zealand	**23.0**	**8.6**
Southeast Asia	**12.3**	**5.9**
India	**1.6**	**2.4**
APAC	**13.8**	**2.4**
US/Europe	**22.3**	**2.2**
	147.4	**46.9**

(i) AUM refers to the sum of (i) the fair value of the properties held in the private funds and investment vehicle the Group manages; (ii) the total uncalled capital commitments in the private funds and investment vehicles; (iii) the additional debt that is estimated to be incurred with reference to the target leverage ratio of the relevant private funds and investment vehicles the Group manages; when all capital is called and invested; and (iv) the appraised carrying value of listed REITs.

(ii) Excluding GFA of Associates.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 1H2023, ESR delivered resilient financial and operational results against a challenging macroeconomic backdrop. The Group continues to grow its AUM[1, 2] which increased 9% year-on-year to US$147 billion, propelled by 13% growth in New Economy AUM[1, 2] to US$69 billion. Notably, the Group's Fund Management EBITDA grew by 14.2% to US$328.7 million with a record-high Fund Management EBITDA margin of 82% (up from 78% in 1H2022) supported by higher fee revenue, disciplined cost management and broader economies of scale. Excluding the impact of promotes, Fund Management EBITDA was up by 19% year-on-year. Most importantly, the Group continues to successfully execute on its asset-light transformation as evidenced in the growth of its fund management EBITDA, which was up 14% YOY and now represents 55% of its total segment EBITDA (compared to less than 25% at the time of the IPO). Given that the Group reports in US dollars, FX translation continues to experience headwinds with sustained weakness in the Japanese Yen, Chinese Renminbi and other key Asian currencies.

Total EBITDA and PATMI were down YOY mainly driven by lower fair value gains in the New Economy Investment and Development segments and the absence of one-off income and gains in 1H2022 as several of the contracted capital recycling events are expected to close in the second half of the year. Additionally, PATMI was impacted by higher interest expense as a result of increase in base rates.

Focussed on delivering sustainable value to shareholders

In line with ESR's goal of a sustainable dividend policy established in 1H2022, the Board recommended the declaration of the third interim dividend of HK$12.5 cents per share (approximately US$1.6 cents per share) (which implies a 2.2%[3] yield) for the financial year ending 31 December 2023, amounting to approximately US$70 million which will be paid to Shareholders on 29 September 2023.

In addition, share repurchases totalled US$71.3 million (or 1% of market capitalisation), translating to a Net Asset Value uplift of US$0.02 per share.

1 Based on FX rates as at 30 June 2023.

2 Includes the reported AUM of the Associates and assumed the value of the uncalled capital commitments in the private funds on a levered basis.

3 Based on closing share price of HK$11.50 on 22 August 2023; on an annualised basis.

Double-digit growth in fund management earnings and higher margins

ESR's Fund Management segment continued to record strong performance given the deep support from its capital partners. Fee-related AUM[4] grew 10% (year-on-year) to US$78 billion. Fund Management EBITDA increased by 14.2% to US$328.7 million, reflecting higher recurring fee revenue from growth in fee generating AUM, development starts, promotes and disciplined cost management.

The Group continues to see strong capital flows from global institutional investors who are seeking to strategically rebalance their portfolios into New Economy sectors. The Group raised US$2.0 billion (approximately 80% is New Economy-focussed) through 15 new or upsized funds and mandates in the year-to-date. The Group remains well-positioned to achieve an acceleration in fundraising over the next six months as rates start to stabilise.

Key capital raising commitments in 1H2023 included a further upsize of US$300 million for the ESR Data Centre Fund (ESR DC Fund 1), seeded by eight projects comprising 560MW of development projects and a sizeable pipeline of additional projects. ESR also entered into a strategic partnership with Indonesia Investment Authority and MC Urban Development Indonesia for development projects in Indonesia.

The Group has US$19.3 billion of dry powder capital to deploy into new investments of which two thirds is in New Economy.

Doubling down on New Economy is paying off with strong underlying operational performance

ESR leased 2.1 million sqm[5] of space, putting the Group on par to exceed its record year in 2022, with record weighted average rental reversions of over 10%[5, 6] for 1H2023 across the portfolio. The leasing momentum for North Asia continues to be very strong with nearly 1 million square metres of new leases and renewals for 1H2023.

The New Economy segment, spurred by e-commerce growth in APAC, continues to fuel demand for large-scale modern logistics space, representing 72% of new leases signed in 1H2023. Among the Group's top 10 tenants by income, nine out of 10 tenants are e-commerce or 3PL related.

4 Fee-related AUM excludes AUM from Associates and levered uncalled capital.

5 New Economy assets only. Excludes listed REITs and Associates.

6 Weighted by AUM of each respective country.

In 1H2023, the Group achieved an overall occupancy rate of 92%[7]. Excluding China, the Group achieved occupancy rate of 98%[7], with close to full occupancies in Australia/New Zealand, India, Japan and South Korea. Although China's post-COVID recovery has been slower than expected, the Group has been very selective with the portfolio in China, with nearly 85% of the assets located in Tier 1 and 1.5 cities where there is long-term growth potential. Demand is still strong in major economic hubs areas in the Yangtze River Delta and the Greater Bay Area, driven by the strong activity in renewable energy industries and cross-border e-commerce respectively.

The Group's weighted average lease expiry ("**WALE**") (by income) currently sits at 4.7 years[7] and with relatively subdued supply and elevated inflation in many of the markets where it operates, the Group is positioned to capture outsized rental growth with 29% of leases due in the next 18 months.

ESR's large New Economy development workbook underpins continued organic AUM growth

ESR had over 27.4 million sqm of GFA in development pipeline across its portfolio including a sizeable landbank of over 6.4 million sqm for future development as of 30 June 2023.

The Group achieved a record US$3.8 billion of development starts in 1H2023, up 9% year-on-year and US$6.8 billion on a last-twelve-months basis. The Group accelerated US$2.2 billion in completions in 1H2023 and US$5.7 billion on a last-twelve-months basis demonstrating its ability to deliver at scale. To date, ESR has a development work-in-progress ("**WIP**") of US$13.0 billion, making it the largest development workbook in APAC. This provides clear visibility on future fee income for the Group. More than 90% of the development workbook is focussed on Tier 1 gateway cities in ESR's key markets and over 70% of WIP is planned for completion between 2024 to 2026.

Beyond logistics, in 1H2023, nearly 20% of the starts were in data centres and for the full year, the Group expects to start up to US$1.5 billion of data centre projects across key gateway markets, including Tokyo, Osaka and Seoul.

[7] Stabilised New Economy assets only. Excludes listed REITs and Associates.

In addition, ESR's strong development pipeline includes a number of landmark projects that are set to create new benchmarks in the market and drive future fees and development profit:

- In Japan, the Group is developing a US$1.5 billion multi-phase logistics park, ESR Kawanishi Distribution and Techno Park on a 505,281 sqm site located in Greater Osaka, unveiling one of the largest and most significant urban rezoning developments to accommodate Japan's ongoing expansion in e-commerce driven New Economy real estate.

- In South Korea, the Group is developing a US$800 million logistics park, Busan New Port on a 685,475 sqm site (which is being reclaimed) located in Greater Busan, the country's largest container terminal and the world's sixth largest port by volume.

- The Group has also started ramping up data centre developments with two data centres totalling 155MW in Japan and South Korea, which are seeded into ESR Data Centre Fund.

- The LOGOS Consortium is currently developing Australia's largest intermodal logistics precinct, the Moorebank Intermodal Precinct (MIP) in south-western Sydney, into a high quality industrial property and infrastructure including initial approval for 850,000 sqm of warehouse opportunities directly adjacent to key rail intermodal facilities. When fully developed, MIP will have an estimated value of A$4.2 billion.

- LOGOS has partnered with Amazon Australia and AustralianSuper to develop a second Amazon Robotics fulfilment centre in Melbourne, Australia at the AustralianSuper owned Craigieburn Logistics Estate. The facility, which is estimated to be completed in 2025, will span over 209,000 sqm across four levels, making it the largest warehouse ever built in Australia, powered by advanced robotics technology. These two deals cement ESR and its subsidiary LOGOS as the "Developer of Choice" in Australia.

In 1H2023, key development starts included ESR's 253,000 sqm Asia Industrial Estate Suvarnabhumi which marks ESR's maiden entry into Thailand, and the 50MW Keihanna data centre in Osaka, Japan. In the same period, the Group saw the completions of large-scale landmark logistics assets which included the second phase of ESR Yokohama Sachiura Distribution Centre and ESR Higashi Ogishima Distribution Centre in Greater Tokyo, Pyeongtaek Logistics Park in South Korea, as well as Chengdu Qingbaijiang Cold Chain Industrial Park and Shenyang Hualong Logistics Park in China.

Robust balance sheet and strong liquidity to capitalise on New Economy opportunities

ESR had healthy gearing of 27.6% and a strong balance sheet with US$3.0 billion in liquidity in cash, loan capacity of committed and undrawn debt facilities, which is sufficient to cover aggregate loan repayments for the next three years without any additional capital recycling. With the contracted divestments announced post 30 June 2023, the Group's gearing will reduce by 170 basis points to 25.9%. The Group also has US$19.3 billion of dry powder in its active funds of which US$12.7 billion is from New Economy vehicles.

In addition, given the rising interest rates, the Group has expanded and diversified its funding and capital structure which is crucial for fuelling the Group's long-term growth.

- ESR received an investment grade first-time 'AA-' rating with a stable outlook from the Japan Credit Rating Agency, Ltd in March 2023

- In June 2023, ESR launched two series of Japanese Yen denominated fixed rate bonds, (i) JPY20 billion 1.163% fixed rate notes due 2026; and (ii) JPY10 billion 1.682% fixed rate notes due 2030, under its US$2 billion Multicurrency Debt Issuance Programme.

The Group continues to recycle assets with over US$2.5 billion of divestments since January 2022, achieving three times its annual historical target with a specific focus on crystallising gains from selected China balance sheet assets. The Group is focussed and on track to deliver more than US$1 billion of divestments in 2023.

In addition, the Group remains very focussed on its asset-light strategy with a 7.4% average co-investment as of 30 June 2023, which meaningfully enhances the Group's tangible return on equity while maintaining sufficient funding capacity across the Group.

Laser-focussed on business transformation and simplification anchored by three key pillars of growth

In driving business transformation and simplification across the Group to deliver long-term shareholder value, the Group has achieved the following:

- US$25 million of cost savings from the integration of ARA and LOGOS has been substantially completed. The Group expects to create additional synergies as it further integrates various aspects of LOGOS through 2024.

- The Group has engaged in multiple discussions with parties to streamline businesses that have previously been identified as non-core. Up to US$750 million of non-core divestments have been identified with the plan to redeploy the capital back into core areas of growth. The Group will update the market as these discussions progress.

- As stated above, the Group is on track to divest over US$1 billion of balance sheet assets in 2023 with greater upside expected if a successful listing of the China REIT ("**C-REIT**") is completed later this year.

- The Group's development undertaken on its balance sheet has now been materially reduced to 4% at the end of 1H2023, leaving more financial flexibility for the Group going forward.

Centring on the New Economy growth pillar, the ESR Data Centre Fund was recently upsized to US$1.3 billion with another large global investor, and the Group has cemented its position in Vietnam with a strategic stake in BW Industrial, a growing development platform where ESR also earns fees as it provides its best-in-class development, leasing and other fund management services to the venture. The Group has also continued to progress on its first life sciences vehicle.

Accelerating positive impact for a sustainable future

The Group recently unveiled its ESG 2030 Roadmap, built on the foundation and significant progress achieved under its 2025 Roadmap launched in November 2020. The Roadmap reaffirms its commitment to accelerate long-term sustainable growth across the three key pillars with established targets under the ESG Framework — Creating a *Human Centric* environment that is safe, supportive and inclusive for internal and external stakeholders; Developing and maintaining a sustainable and efficient *Property Portfolio*; and Delivering outstanding *Corporate Performance* for sustained and balanced growth.

Under the social domain, the Group continues to enhance diversity, equity, and inclusion in the workplace, uphold employee health and safety, and enhance community development. As of June 2023, female representation was approximately 45% and the Group has had zero ESR workforce fatalities. To contribute positively to the local communities, volunteer leave was also implemented for all employees to support the Group's community development efforts.

On the environmental front, the Group remains committed to environmental stewardship by developing and maintaining sustainable and efficient buildings, some of which are equipped with EV charging stations. An additional 15MW of rooftop solar power capacity has been installed as planned and the Group is expected to significantly increase its on-site renewable energy generation this year. This will be further accelerated with more rooftop space from its selected assets under the RMB income fund, which will contribute to the overall 1,000MW target by 2030. In addition, approximately 39% of its portfolio of completed directly managed assets has obtained sustainable building certifications and ratings such as LEED, WELL and NABERS. As part of its commitment and transition to a low-carbon organisation, the Group is on track to develop a net zero strategy and decarbonisation roadmap.

The Group strives to maintain the highest standards of corporate governance to ensure accountability, transparency, fairness and integrity. As a signatory to the United Nations-supported Principles of Responsible Investment (**UN PRI**), the Group has closed a total of seven sustainability-linked loans with approximately US$4 billion as of August 2023, strengthening its leadership in sustainable financing. The Group also continues to be recognised for its robust and exemplary ESG disclosure practices with outstanding rankings across various ESG benchmarks and global ratings such as GRESB, MSCI and Sustainalytics.

As the Group leads the way forward in the transition to a more inclusive, low-carbon and climate resilient future, its ESG 2030 Roadmap and enhanced Group ESG Policies will sharpen its focus in driving ESG efforts forward as an enlarged Group.

LOOKING AHEAD

The Group remains steadfast in its pursuit of its core New Economy focus which also underpins the growth of its Alternatives and REITs' business. The Company is geared towards key long-term macro trends of the New Economy: e-commerce and artificial intelligence for logistics and data centres; the growth of biotech and biopharma for life sciences; and decarbonisation for infrastructure/renewables. These are areas capital partners have un-met demand, particularly across the Asia Pacific region.

The Group is navigating a challenging external environment with its strong execution, continuing its asset-light trajectory and prudent capital management in its unwavering focus to deliver resilient, long-term earnings growth. This starts on the ground with well-located, high-quality projects and assets which support attractive development yields on cost, high occupancies and long-term rental growth, providing attractive returns to its capital partners. Supporting existing and new REITs will continue to be part of the Group's strategy for diversifying capital partnerships, supported by REIT legislation that will continue to open new markets and opportunities across the APAC region.

Although the Group has leading market share across many of the regions in which it operates, it is still at a very early stage of realising the full potential of its enlarged platform and the economies of scale it provides. With the recent promotions of Josh Daitch to CIO and Matthew Lawson to COO, the Group is making tangible progress towards its business simplification and transformation goals. The Group is delivering on cost savings, it is reducing its on balance sheet exposure and although the environment has not been overly conducive, it is engaging in multiple discussions with parties on several of the non-core assets. To preserve value, the Group will not rush these deals..

The Group continues to remain excited by the future. Although a lot of capital remains on the sidelines, the group is seeing some of the most exciting underwritten returns it has seen in a while on new deals. ESR's diversified and integrated development and fund management platform underpinned by its experienced in-country teams is well-positioned to take advantage of the opportunities to deliver long-term returns for its capital partners and investors.

FINANCIAL REVIEW

The Group reported a consistent growth in its AUM and fund management segment for the six months ended 30 June 2023. In line with its asset light strategy, the Group continues to make good progress in recycling capital from its balance sheet assets into stable and recurring fee income.

ESR remains proactive and disciplined in capital management with net debt over total assets of 27.6% as of 30 June 2023. With the divestments announced post 30 June 2023, the Group's net debt over total assets shall be 25.9%. The Group has US$3.0 billion of cash and undrawn facilities that is sufficient to cover its aggregate loan repayments for the next 3 years without further capital recycling or non-core divestments.

REVENUE

The Group's revenue increased by 5.5% from US$431.7 million in 1H2022 to US$455.4 million in 1H2023, driven mainly by higher management fee.

Management fee increased by 8.6% from US$371.0 million in 1H2022 to US$402.9 million in 1H2023. The increase was contributed by higher recurring fee revenue from AUM growth and development starts. In 1H2023, US$136.0 million promote income was recognised.

Construction revenue increased from US$0.1 million in 1H2022 to US$12.6 million in 1H2023, contributed by new projects in Australia. Cost of sales increased correspondingly from US$9.3 million in 1H2022 to US$12.7 million in 1H2023.

In line with the Group's ongoing commitment towards its asset light strategy to sell down balance sheet assets into ESR managed funds, rental income decreased by 36.4% from US$57.7 million in 1H2022 to US$36.7 million in 1H2023. In 2H2022, the Group divested nine China balance sheet assets into an ESR managed core fund.

Geographically, 95% of the Group's revenue for 1H2023 contributed from Greater China, Japan, South Korea, Southeast Asia and Australia and New Zealand; with India and Europe made up the remaining 5%.

PATMI AND EBITDA

EBITDA decreased by 15.6% from US$637.1 million in 1H2022 to US$537.4 million in 1H2023. PATMI decreased by 24.1% from US$380.6 million in 1H2022 to US$289.0 million in 1H2023. Lower fair value gains, absence of one-off income and divestment gains recognised in 1H2022 were the main drivers to the decline in EBITDA and PATMI. Additionally, PATMI was impacted by higher interest expense as a result of increase in base rates. The decline was offset by strong performance of the fund management segment.

The Group recorded fair value gain on investment properties of US$115.3 million for 1H2023 (1H2022: US$162.9 million) arising mainly from assets under development in China.

The Group's share of profits from joint ventures and associates decreased by 45.9% from US$145.0 million in 1H2022 to US$78.4 million in 1H2023, mainly due to lower valuation gains from the Group's investments in Australia and South Korea which have seen capitalisation rate expansion; and development progress in China.

Finance cost increased by 59.9% from US$99.3 million in 1H2022 to US$158.8 million in 1H2023, contributed by rising interest rates, as well as increase in total borrowings from US$4.9 billion as at 30 June 2022 to US$5.6 billion as at 30 June 2023. The weighted average interest cost for the Group had increased to 5.6% due to higher interest rates and additional borrowing drawn for transitionary bridging of projects. Excluding bridging funding, the weighted average interest rate would have been 5.2% for 1H2023.

Administrative expenses decreased by 14.4% from US$239.0 million in 1H2022 to US$204.5 million in 1H2023 primarily due to one-off costs relating to the acquisition of ARA of US$22.5 million incurred in 1H2022, and other professional fees.

SEGMENT RESULTS

Fund management segment results increased by US$40.8 million or 14.2% from US$287.9 million in 1H2022 to US$328.7 million in 1H2023 despite muted investment activity across markets and weak Asian currencies. Strong growth was driven by higher recurring fee revenue from growth in fee generating AUM and development starts. The growth was further boosted with the crystallisation of promotes as development fund assets are being rolled over to core funds. Supported by higher fee revenue, cost containment and broader economies of scale, fund management EBITDA margin had increased from 78% in 1H2022 to 82% in 1H2023.

Investment segment results decreased by 43.0% from US$210.8 million in 1H2022 to US$120.2 million in 1H2023, reflecting the Group's proactive capital recycling strategy. Lower rental income as the Group divested nine China balance sheet assets into ESR managed core fund in 2H2022. The decrease was further contributed by lower one-off investment income and valuation gains from significant capital recycling transaction in 1H2022. Fair value recognised in 1H2023 in relation to certain projects in China had also taken into consideration of domestic headwinds.

New Economy development segment results decreased by 35.4% from US$228.7 million in 1H2022 to US$147.7 million in 1H2023. The decrease was mainly attributable to lower fair value gains partly due to delay in the development timing in China that was contributed by last year's COVID situation and longer expected period to lease up as well as stabilise new assets. In Australia and Korea, there was the effect of the expansion of capitalisation rate. Additionally, 1H2022 had also benefitted from divestment gain from sell-down of a development asset, while similar transactions have been moved to 2H2023.

ASSETS

The Group had a robust and well-capitalised balance sheet with gearing of 27.6% (net debt to total assets). Total assets remained at US$16.3 billion as of 30 June 2023 (31 December 2022: US$16.2 billion). As of 30 June 2023, the Group had cash balances of US$1.1 billion that were primarily denominated in USD, RMB, SGD, JPY, KRW, AUD and HKD. Cash balances had reduced as part of the Group's proactive capital management to pay down borrowings with higher funding cost, as well as deployment to fund ongoing projects and new investments.

Investment properties decreased by 5.2% to US$3.2 billion as of 30 June 2023 (31 December 2022: US$3.3 billion). The slight decrease is mainly contributed by classification of certain properties as asset held for sale as of June 2023 in line with view for near-term disposal. The reduction was offset by ongoing development of the Group's China projects during 1H2023. Additionally, the Group made prepayments of additional land use rights in Australia, Japan and Vietnam which partially contributed to the increase in other non-current assets by 40.4% to US$319.3 million.

Investment in joint ventures and associates increased by 11.4% to US$3.3 billion as of 30 June 2023 (31 December 2022: US$3.0 billion). The increase was mainly contributed by the Group's acquisition of 10.4% interest in Vietnam's BW Industrial Development Joint Stock Company ("**BW**") for US$207.8 million in 1H2023. On 4 August 2023, the Group exercised its additional subscription right to subscribe additional issued shares in BW. Upon completion, the Group will hold 15.57% of the issued shares of BW.

Financial assets at fair value through other comprehensive income ("**FVOCI**") increased by 5.8% or US$56.3 million to US$1.0 billion as of 30 June 2023 contributed mainly by the Group additional investment in ESR-LOGOS REIT.

Trade receivables increased by 36.6% to US$482.8 million as at 30 June 2023 (31 December 2022: US$353.5 million) mainly arising from higher fee income.

LIABILITIES

Total bank and other borrowings as of 30 June 2023 remained flat at US$5.6 billion (31 December 2022: US$5.5 billion). Net debt was US$4.5 billion compared to US$3.7 billion as of 31 December 2022 mainly due to lower cash balance arising from the Group's ongoing fundings to its investments. As of 30 June 2023, 90% of total debt maturing in year 2023 has been refinanced.

The Group continues to stay focussed on its capital recycling strategy with proactive and disciplined capital management. It regularly reviews its debt maturity profiles and refinancing ahead of maturity ensuring a well-capitalised balance sheet is maintained. ESR Group now has US$3.0 billion of cash and loan drawdown capacity that is sufficient to cover the Group's aggregate loan repayments for the next three years without any further asset recycling or non-core divestments.

The Group continues to expand its funding sources through a combination of facilities with both local and international banks, and capital market issuances in optimising its costs of debt. In June 2023, ESR debuted a total of JPY30 billion through two series of Japanese Yen denominated fixed rate notes: (i) JPY20 billion 1.163% fixed rate notes due 2026; and (ii) JPY10 billion 1.682% fixed rate notes due 2030, each under the US$2,000,000,000 Multicurrency Debt Issuance Programme.

As of 30 June 2023, 19% of the Group's borrowings was on fixed rate while the remaining 81% was on floating rate basis. As of 30 June 2023, the Group's weighted average debt maturity was approximately 5.3 years (31 December 2022: 5.1 years).

As of 30 June 2023, neither the Group nor the Company had any significant contingent liabilities.

TOTAL EQUITY

Total equity remained strong at US$9.1 billion as of 30 June 2023 (US$9.1 billion as of 31 December 2022), backed by 1H2023 net profits of US$313.9 million, offset by dividend distribution to shareholders of US$69.9 million and shares repurchased of US$68.0 million. In addition, an unrealised loss of US$48.2 million was recognised on the Group's financial assets through other comprehensive income ("**FVOCI**"), mainly due to mark-to-market losses adjusted based on quoted market prices.

The Group manages and minimises its foreign currency exposures by natural hedges using various currencies via project and corporate level; and continues to assess the use of financial derivatives where appropriate to manage its foreign currency exposures. For the 1H2023, the Group recorded unrealised currency translation losses of US$61.6 million arising from its foreign operations due to the strengthening of US dollars against the respective local currencies.

EVENTS AFTER THE REPORTING DATE

On 10 July 2023, the Company completed the issuance of (i) JPY20,000,000,000 1.163% fixed rate notes due 2026; and (ii) JPY10,000,000,000 1.682% fixed rate notes due 2030 under its US$2,000,000,000 Multicurrency Debt Issuance Programme. The notes were listed on SGX-ST on 11 July 2023.

Pursuant to announcement made on 12 January 2023, ESR V Investor 5 Pte. Ltd. ("**ESR V Investor 5**") which is a wholly owned subsidiary of the Company may, at any time after the completion of the subscription pursuant to the share subscription agreement dated 12 January 2023 entered into between BW Industrial Development Joint Stock Company ("**BW**"), ESR V Investor 5 and the Company and before (but including) 30 September 2023, in its sole discretion elect to subscribe for such number of additional shares so that it will hold no less than 15.0% of the issued shares of BW (on a fully diluted basis) on the completion of such subscription. On 4 August 2023, ESR V Investor 5 exercised the additional subscription right to subscribe for 99,034,399 additional issued shares in BW (the "**Additional Subscription**"). On completion of the Additional Subscription, ESR V Investor 5 will hold 15.57% of the issued shares of BW, assuming that BW does not issue any additional shares from the date of the announcement to completion of the Additional Subscription.

On 4 August 2023, ESR Investor 3 (Cayman), Ltd. ("**ESR Investor 3**", a wholly-owned subsidiary of the Company), RW HO B Pte. Ltd. ("**JV Company**") and ESR Singapore Pte. Ltd ("**JV Manager**") entered into a shareholders' agreement (the "**Shareholders' Agreement**") with Reco Oleander Private Limited ("**Investor**") in connection with the development of a new distribution centre in Japan ("**Project**"). ESR Investor 3 and the Investor will hold shares in the JV Company in the same proportion as the allocation of the maximum aggregate capital commitment to the JV Company as between ESR Investor 3 and the Investor, being 40% by ESR Investor 3 and 60% by the Investor. ESR Investor 3's capital commitment to the JV Company is JPY13.8 billion.

In addition to the Shareholders' Agreement as mentioned above, on the same day, RW Higashi Pte. Ltd. ("**Seller**"), a 70% owned subsidiary of the Company, and the JV Company ("**Purchaser**") entered into the Sale and Purchase Agreement in relation to the sale of the entire issued share capital of RW Higashi SPE 1 Pte. Ltd. ("**Sale Company 1**") and HGS Japan Pte. Ltd. ("**Sale Company 2**") ("**Share Transfers**"). The consideration for the Share Transfers comprised of shares consideration of JPY12.9 billion and shareholder loans Consideration of JPY5.3 billion. Upon completion, each of Sale Company 1 and Sale Company 2 will cease to be a subsidiary of the Company.

EVENTS AFTER THE REPORTING DATE *(Continued)*

Sabana Real Estate Investment Management Pte. Ltd. ("**SREIM**"), the manager of Sabana Real Estate Investment Trust ("**Sabana REIT**", a real estate investment trust ("**REIT**") listed on the Singapore Exchange Securities Trading Limited), is an indirect wholly owned subsidiary of the Company. The Group also holds a 20.6% stake in Sabana REIT as of 30 June 2023. On 7 June 2023, SREIM received a requisition to convene an extraordinary general meeting of Sabana REIT (the "**EGM**") to vote on (i) the removal of SREIM as the manager of Sabana REIT and (ii) directing Sabana REIT's trustee (the "**Trustee**") to take steps to internalise the REIT management function (the "**Resolutions**"). Both Resolutions were passed on 7 August 2023.

The Trustee has or will be appointing professionals to advise on the implementation of the Resolutions. The Trustee expects to hold two or more further EGMs to seek directions on specific matters to implement the Resolutions, and that the process will take at least 12 months. As there is no precedent in Singapore for the internalisation of a REIT, there is no certainty that Sabana REIT can or will be internalised. In the interim, SREIM will carry on as the interim manager of Sabana REIT.

On 21 August 2023, the Group, through a wholly-owned subsidiary, entered into an agreement with a strategic investor from Mainland China to sell its existing stake in its Kwai Chung Cold Storage Logistics Centre development in Hong Kong (the "**JV Company**"). Upon completion, the Group's stake in the JV Company will reduce to 40%. The Group will continue to act as the investment, development and asset manager to the JV Company.

On 22 August 2023, the Group announced the establishment of its largest-ever RMB income fund in China (the "**Fund**") with one of China's leading insurance companies. The Fund has a total investment capacity of approximately RMB10 billion, and will be seeded with a prime logistics portfolio of RMB2.3 billion. The seed portfolio contains 6 stabilised investment properties from ESR's balance sheet assets. The transaction is expected to be closed in the second half of 2023, subject to regulatory approvals.

NON-IFRS MEASURES

EBITDA, Adjusted EBITDA and Adjusted 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 Adjusted 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 Adjusted PATMI are not IFRS measures, these may not be comparable to similarly titled measures presented by other companies.

Adjusted EBITDA

The following table sets out the reconciliations of Adjusted EBITDA:

	1H2023 **US$'000**	1H2022 US$'000
Profit before tax	**372,631**	519,486
Add/(less):		
Depreciation and amortisation	**23,016**	23,369
Finance costs	**158,789**	99,308
Interest income	**(16,988)**	(5,028)
EBITDA[a]	**537,448**	637,135
Add/(less):		
Share-based compensation expense[b]	**12,281**	10,438
Transaction costs related to ARA acquisition[c][ii]	**–**	22,463
Adjusted EBITDA	**549,729**	670,036
Less:		
Fair value changes on Investment Properties ("**IP**")[d]	**(115,307)**	(162,927)
Adjusted EBITDA (less fair value changes on IP)	**434,422**	507,109

Adjusted PATMI

The following table sets out the reconciliations of Adjusted PATMI:

	1H2023	1H2022
	US$'000	US$'000
PATMI	**288,965**	380,607
Add/(less):		
Amortisation relating to intangible assets arising from acquisition of ARA, net of tax[(c)(iii)]	**9,306**	8,329
Share-based compensation expense (related to ARA)[(c)(i)]	**5,487**	628
Transaction costs related to ARA acquisition[(c)(ii)]	**–**	22,463
Adjusted PATMI	**303,758**	412,027

Explanation of adjusting items

(a) EBITDA is calculated as profit before tax, adding back depreciation and amortisation and finance costs (net). EBITDA is presented because the Group believes this is a useful measure to determine the Group's financial condition and historical ability to provide investment returns.

(b) Share-based compensation expense represents share-based incentives which are primarily non-cash in nature.

(c) On 20 January 2022, the Company completed the acquisition of ARA Asset Management Limited ("**ARA**", together with its subsidiaries, the "**ARA Group**"). In connection with the acquisition, the Group adjusted the following items which are not directly related to the operating activities:-

   (i) share-based compensation expenses relating to ARA which represents share-based incentive granted pursuant to the Company's Long-term Incentive Scheme which were incurred as part of the acquisition;

   (ii) transaction costs related to ARA acquisition which are recorded within "Administrative expenses" are one-off non-recurring which are not directly related to operating performance of the Group during the period; and

   (iii) amortisation relating to intangible assets arising from acquisition of ARA, net of tax, recorded within "Administrative expenses" represent management rights recognised that are non-cash and non-operational in nature. Accordingly, it is not directly correlated to the Group's business performance in a given period.

(d) Fair value changes on investment properties represents the changes in fair value which are non-cash in nature. Accordingly, it is adjusted from EBITDA.

LIQUIDITY AND CAPITAL RESOURCES

	As at 30 June 2023 US$'000	As at 31 December 2022 US$'000
Bank and other borrowings		
– Current	**394,540**	290,452
– Non-current	**5,234,301**	5,206,178
Bank and other borrowings — Total	**5,628,841**	5,496,630
Less: Cash and bank balances	**(1,126,130)**	(1,806,915)
Net debt	**4,502,711**	3,689,715
Total assets	**16,318,372**	16,199,374
Gearing ratio (net debt/total assets)	**27.6%** [(i)]	22.8%
Total equity	**9,122,622**	9,140,314
Net debt to equity ratio	**49.4%**	40.4%

(i) With the divestments announced post 30 June 2023, the Group's gearing shall be 25.9%.

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

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	**US$'000**	US$'000
REVENUE	3, 4	**455,407**	431,706
Cost of sales		**(12,684)**	(9,284)
Gross profit		**442,723**	422,422
Other income and gains, net	4	**214,796**	290,321
Administrative expenses		**(204,481)**	(238,954)
Finance costs	6	**(158,789)**	(99,308)
Share of profits and losses of joint ventures and associates, net		**78,382**	145,005
Profit before tax		**372,631**	519,486
Income tax expense	5	**(58,761)**	(99,743)
Profit for the period		**313,870**	419,743
Attributable to:			
Owners of the Company		**288,965**	380,607
Non-controlling interests		**24,905**	39,136
		313,870	419,743
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic			
For profit for the period	8	**US$0.06**	US$0.08
Diluted			
For profit for the period	8	**US$0.06**	US$0.08

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

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Profit for the period	**313,870**	419,743
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(61,576)**	(202,028)
Effect of hedge	**(3,538)**	–
Share of other comprehensive loss of joint ventures and associates	**(71,394)**	(171,842)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(136,508)**	(373,870)
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	**(48,176)**	(84,457)
Share of fair value reserve of associates and joint ventures	**4,071**	482
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(44,105)**	(83,975)
Other comprehensive loss for the period, net of tax	**(180,613)**	(457,845)
Total comprehensive income/(loss) for the period	**133,257**	(38,102)
Attributable to:		
Owners of the Company	**118,378**	(54,494)
Non-controlling interests	**14,879**	16,392
	133,257	(38,102)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	**30 June 2023 (Unaudited) US$'000**	31 December 2022 (Audited) US$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**43,203**	43,822
Right-of-use assets		**32,046**	30,999
Investments in joint ventures and associates		**3,292,677**	2,955,816
Financial assets at fair value through profit or loss		**732,962**	752,851
Financial assets at fair value through other comprehensive income		**1,032,719**	976,395
Investment properties	9	**3,150,754**	3,322,232
Goodwill		**3,499,102**	3,455,498
Other intangible assets		**1,309,288**	1,322,754
Other non-current assets		**319,316**	227,440
Deferred tax assets		**96,611**	101,276
Total non-current assets		**13,508,678**	13,189,083
CURRENT ASSETS			
Trade receivables	10	**482,750**	353,488
Prepayments, other receivables and other assets		**462,169**	414,758
Financial assets at fair value through profit or loss		**27,935**	21,883
Cash and bank balances		**1,126,130**	1,806,915
		2,098,984	2,597,044
Assets of a disposal group classified as held for sale		**710,710**	413,247
Total current assets		**2,809,694**	3,010,291
CURRENT LIABILITIES			
Bank and other borrowings	12	**394,540**	290,452
Lease liabilities		**11,356**	10,403
Trade payables, accruals and other payables	11	**313,338**	403,492
Contingent consideration payable		**19,465**	2,581
Income tax payable		**49,795**	108,068
		788,494	814,996
Liabilities directly associated with the assets classified as held for sale		**392,978**	264,721
Total current liabilities		**1,181,472**	1,079,717

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2023

	Notes	**30 June 2023 (Unaudited) US$'000**	31 December 2022 (Audited) US$'000
NET CURRENT ASSETS		**1,628,222**	1,930,574
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,136,900**	15,119,657
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**624,460**	617,504
Bank and other borrowings	12	**5,234,301**	5,206,178
Lease liabilities		**24,069**	23,785
Other non-current liabilities		**131,448**	131,876
Total non-current liabilities		**6,014,278**	5,979,343
NET ASSETS		**9,122,622**	9,140,314
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**4,385**	4,422
Perpetual capital securities		**742,931**	742,701
Equity components of convertible bonds		**48,501**	48,501
Other reserves		**7,979,525**	8,019,035
		8,775,342	8,814,659
Non-controlling interests		**347,280**	325,655
TOTAL EQUITY		**9,122,622**	9,140,314

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Cash flows from operating activities		
Profit before tax	**372,631**	519,486
Adjustments for:		
Amortisation of other intangible assets	**13,855**	14,428
Changes in carrying value of financial assets and financial liabilities at fair value through profit or loss	**(140)**	34,852
Depreciation of property, plant and equipment	**3,211**	2,763
Depreciation of right-of-use assets	**5,950**	6,178
Dividend income	**(52,694)**	(107,178)
Fair value gains on assets held for sale	**(3,495)**	–
Fair value gains on completed investment properties	**(3,908)**	(43,249)
Fair value gains on investment properties under construction	**(111,399)**	(119,678)
Finance costs	**158,789**	99,308
Gain on disposal of interests in joint ventures and associates	**(64)**	(11,124)
Gain on disposal of investment properties	**(13,650)**	(32,722)
Gain on disposal of subsidiaries	**(199)**	(583)
Interest income	**(16,988)**	(5,028)
Loss on disposal of assets held for sale	**441**	–
(Gain)/Loss on disposal of interests in financial assets at fair value through profit or loss	**(1,853)**	291
Loss on disposal of property, plant and equipment	**47**	367
Management fee received/receivable in units	**(20,319)**	–
Other income	**(1,373)**	–
Share-based compensation expense	**12,281**	10,438
Share of profits and losses of joint ventures and associates, net	**(78,382)**	(145,005)
	262,741	223,544
Increase in trade receivables	**(141,953)**	(48,817)
(Increase)/Decrease in prepayments, other receivables and other assets	**(27,444)**	4,783
Decrease in trade payables, accruals and other payables	**(12,598)**	(29,140)
Cash flows generated from operations	**80,746**	150,370

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Cash flows from operating activities *(continued)*		
Income tax paid	**(60,645)**	(61,063)
Dividend income received from financial assets at fair value through profit or loss	**910**	503
Disposal of financial assets at fair value through profit or loss	**931**	1,831
Net cash flows generated from operating activities	**21,942**	91,641
Cash flows from investing activities		
Acquisition of subsidiaries	**(25,442)**	(44,146)
Additions of investment properties	**(180,938)**	(170,602)
Additions of other intangible assets	**(576)**	(1,955)
Advances to related parties and joint ventures	**(14,585)**	(22,378)
Capital injection in joint ventures and associates	**(396,444)**	(145,942)
Capital injection in financial assets at fair value through other comprehensive income	**(94,017)**	(34,968)
Capital injection in financial assets at fair value through profit or loss	**(38,795)**	(65,714)
Capital redemption on financial assets at fair value through other comprehensive income	**736**	24,759
Disposal of financial assets at fair value through other comprehensive income	**–**	349,259
Disposal of interests in joint ventures and associates	**30,654**	44,049
Disposal of investment properties	**33,168**	92,053
Disposal of property, plant and equipment	**–**	210
Disposal of subsidiaries	**2,132**	10,702
Distributions from financial assets at fair value through profit or loss	**17,943**	59,149
Distributions from joint ventures and associates	**45,687**	152,517
Dividend income from quoted financial assets	**31,282**	20,573
Dividend income from unquoted financial assets	**19,957**	83,679
Increase of non-pledged fixed time deposits with a maturity period over three months	**(1,285)**	(954)
Interest received	**12,522**	4,630

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Cash flows from investing activities *(continued)*		
Investment in other investments	**(5,781)**	–
Loan to third parties	**(10,344)**	(1,607)
Payment of contingent consideration payables	**–**	(1,600)
Prepayments for acquiring land use rights	**(38,934)**	(60,226)
Purchase of derivative financial assets	**–**	(11)
Purchases of property, plant and equipment	**(5,235)**	(3,918)
Repayment of loan to directors of the Company	**–**	945
Repayments from joint ventures	**–**	63,120
Transaction costs incurred for acquisition of subsidiaries	**–**	(45,167)
Net cash flows (used in)/generated from investing activities	**(618,295)**	306,457
Cash flows from financing activities		
Acquisition of non-controlling interests	**(3,961)**	–
Capital contributions from non-controlling interests	**5,413**	3,558
Changes in pledged bank deposits and restricted cash balance	**(4,254)**	14,055
Distribution paid to holders of perpetual capital securities	**(20,646)**	(23,762)
Dividend distributions to non-controlling interests	**(1,075)**	(4,867)
Dividend distributions to shareholders	**(69,886)**	–
Interest on bank and other borrowings paid	**(155,233)**	(114,474)
Partial disposal of shares in subsidiaries to non-controlling shareholders	**–**	30,093
Principal portion of lease payments	**(6,482)**	(6,531)
Proceeds from bank and other borrowings	**829,312**	1,277,178
Proceeds from issuance of shares	**–**	250,000
Redemption of perpetual capital securities, net	**–**	(218,802)
Repayment of bank and other borrowings	**(497,407)**	(1,021,841)
Share repurchased	**(67,996)**	(47,603)
Transfer of interest to non-controlling interests without change of control	**2,912**	–
Net cash generated from financing activities	**10,697**	137,004

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Net (decrease)/increase in cash and cash equivalents	**(585,656)**	535,102
Cash and cash equivalents at beginning of period	**1,717,672**	1,517,533
Effect of foreign exchange rate changes, net	**(66,139)**	(100,198)
Cash and cash equivalents at end of period	**1,065,877**	1,952,437
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**1,126,130**	2,014,685
Cash and short-term deposits attributable to the disposal group held for sale	**31,410**	45,346
Non-pledged fixed time deposits with a maturity period over three months	**(1,285)**	(954)
Pledged bank deposits	**(2,902)**	(49,999)
Restricted bank balances	**(87,476)**	(56,641)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	**1,065,877**	1,952,437

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

ESR Group Limited (the "**Company**") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on 14 June 2011. The registered office of the Company is Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. The address of head office and principal place of business is at Suites 2905–06, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

The Group is principally engaged in logistics real estate development, leasing, management and fund management platforms in the Asia Pacific region.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standards ("**IAS**") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through other comprehensive income, financial assets and liabilities at fair value through profit or loss, and financial derivative assets and liabilities which have been measured at fair value. Non-current assets and disposal group held for sale are stated at the lower of its carrying amount and fair value less cost to sell. These financial statements are presented in US dollars ("**US$**"), with values rounded to nearest thousand except when otherwise indicated.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

2.2 ADOPTION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

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

IFRS 17	*Insurance Contracts*
Amendments to IFRS 17	*Insurance Contracts*
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform — Pillar Two Model Rules*

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

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 the REIT the Group manages, from which the Group derives dividend income, pro rata earnings and/or pro rata value appreciation, and (iii) other investments.

(b) 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 rates of return and after the Group's capital partners have received their targeted capital returns.

(c) New Economy 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, share-based compensation expense and corporate expenses are excluded from such measurement.

3. OPERATING SEGMENT INFORMATION *(Continued)*

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	Six months ended 30 June 2023			
	Investment (Unaudited) US$'000	Fund management (Unaudited) US$'000	New Economy development (Unaudited) US$'000	Total (Unaudited) US$'000
Segment revenue	39,849	402,932	12,626	455,407
— Intersegment sales	–	5,939	–	5,939
	39,849	408,871	12,626	461,346
Reconciliation:				
Elimination of intersegment sales	–	(5,939)	–	(5,939)
Revenue from continuing operations	39,849	402,932	12,626	455,407
Operating expenses	(12,893)	(91,350)	(22,258)#	(126,501)
Fair value gains on investment properties	3,908	–	111,399	115,307
Dividend income	51,505	1,189	–	52,694
Changes in carrying value of financial assets and liabilities at fair value through profit or loss	(7,891)	(24)	8,055	140
Changes in fair value of assets held for sale	3,339	–	156	3,495
Share of profits and losses of joint ventures and associates, net	42,742	14,580	21,060	78,382
Gain/(Loss) on disposal of subsidiaries	–	(2)	201	199
Gain on disposal of interests in joint ventures and associates	–	–	64	64
Gain on disposal of interests in financial assets at fair value through profit or loss	69	–	1,784	1,853
Gain on disposal of investment properties	–	–	13,650	13,650
Loss on disposal of asset held for sale	(441)	–	–	(441)
Other income	–	1,373	1,000	2,373
Segment result	120,187	328,698	147,737	596,622
Reconciliation:				
Depreciation and amortisation				(23,016)
Exchange gain				3,029
Interest income				16,988
Finance costs				(158,789)
Share-based compensation expense				(12,281)
Other unallocated gains				5,449
Corporate and other unallocated expenses				(55,371)
Profit before tax from continuing operations				372,631
Other segment information				
Depreciation and amortisation				(23,016)
Capital expenditure*				176,539
Investments in joint ventures and associates				3,292,677

Included construction cost of US$2,699,000

3. OPERATING SEGMENT INFORMATION *(Continued)*

	Six months ended 30 June 2022			
	Investment (Unaudited) US$'000	Fund management (Unaudited) US$'000	New Economy development (Unaudited) US$'000	Total (Unaudited) US$'000
Segment revenue	60,520	371,035	151	431,706
— Intersegment sales	–	270	–	270
	60,520	371,305	151	431,976
Reconciliation:				
Elimination of intersegment sales	–	(270)	–	(270)
Revenue from continuing operations	60,520	371,035	151	431,706
Operating expenses	(9,996)	(98,596)	(19,928)#	(128,520)
Fair value gains on investment properties	43,249	–	119,678	162,927
Dividend income	106,819	359	–	107,178
Changes in carrying value of financial assets and liabilities at fair value through profit or loss	(44,749)	–	9,897	(34,852)
Share of profits and losses of joint ventures and associates, net	54,802	15,113	75,090	145,005
Gain on disposal of investment properties	–	–	32,722	32,722
Gain on disposal of interests in joint ventures and associates	–	–	11,124	11,124
Loss on disposal of interests in financial assets at fair value through profit or loss	(291)	–	–	(291)
Gain/(Loss) on disposal of subsidiaries	483	(4)	12	491
Segment result	210,837	287,907	228,746	727,490
Reconciliation:				
Depreciation and amortisation				(23,369)
Exchange losses				(1,056)
Interest income				5,028
Finance costs				(99,308)
Share-based compensation expense				(10,438)
Other unallocated gains				5,992
Corporate and other unallocated expenses				(84,853)
Profit before tax from continuing operations				519,486
Other segment information				
Depreciation and amortisation				(23,369)
Capital expenditure*				1,743,526
Investments in joint ventures and associates				2,675,166

\# Included construction cost of US$151,000

* 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

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Greater China	**81,227**	120,454
Japan	**46,545**	57,808
South Korea	**146,351**	71,114
Australia and New Zealand	**80,751**	93,891
Southeast Asia	**75,804**	65,528
India	**5,272**	6,064
Europe	**16,373**	11,000
Others	**3,084**	5,847
	455,407	431,706

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$76,713,000 was derived from fund management segment (30 June 2022: US$48,558,000 from fund management segment) by a single customer during the financial period ended 30 June 2023.

4. REVENUE AND OTHER INCOME AND GAINS, NET

(a) Revenue

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Rental income from investment property operating leases	**36,695**	57,655
Management fee	**402,932**	371,035
Construction income	**12,626**	151
Solar energy income	**3,154**	2,865
Total	**455,407**	431,706

4. REVENUE AND OTHER INCOME AND GAINS, NET *(Continued)*

(a) Revenue *(Continued)*

Timing of revenue recognition

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Rental income from investment property operating leases	**36,695**	57,655
Point in time		
Management fee	**46,025**	125,606
Over time		
Management fee	**356,907**	245,429
Construction income	**12,626**	151
Solar energy income	**3,154**	2,865
	455,407	431,706

(b) Other income and gains, net

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Changes in carrying value of financial assets and liabilities at fair value through profit or loss	**140**	(34,852)
Changes in fair value of assets held for sale	**3,495**	–
Dividend income	**52,694**	107,178
Exchange gain	**3,029**	–
Fair value gains on completed investment properties	**3,908**	43,249
Fair value gains on investment properties under construction	**111,399**	119,678
Gain/(Loss) on disposal of interests in financial assets at fair value through profit or loss	**1,853**	(291)
Gain on disposal of interests in joint ventures and associates	**64**	11,124
Gain on disposal of investment properties	**13,650**	32,722
Gain on disposal of subsidiaries	**199**	583
Loss on disposal of asset held for sale	**(441)**	–
Interest income	**16,988**	5,028
Others	**7,818**	5,902
	214,796	290,321

5. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Current tax	**26,511**	58,475
Deferred tax	**32,250**	41,268
	58,761	99,743

6. FINANCE COSTS

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Interest expense on bank loans	**147,186**	76,674
Interest expense on other borrowings	**980**	725
Interest expense on bonds	**8,693**	18,949
Interest expense on convertible bonds	**2,603**	2,603
Interest accretion on convertible bonds (note (i))	**5,289**	5,036
Interest expense on lease liabilities	**850**	702
	165,601	104,689
Less: Interest capitalised	**(6,812)**	(5,381)
	158,789	99,308

Note:

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

7. DIVIDENDS

On 22 March 2023, the board of directors declared a final dividend of HK$12.5 cents (2021: Nil) per ordinary share for the financial year ended 31 December 2022, amounting to approximately US$69,886,000 (2021: Nil).

The final dividend was paid by the Company during the six months ended 30 June 2023 (30 June 2022: Nil).

On 23 August 2023, the board of directors declared an interim dividend of HK$12.5 cents per ordinary share for the financial year ending 31 December 2023 (six months ended 30 June 2022: HK$12.5 cents per ordinary share for the financial year ended 31 December 2022), amounting to a total of approximately US$70,000,000 (six months ended 30 June 2022: US$70,777,000).

8. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	US$'000	US$'000
Earnings:		
Profit attributable to owners of the Company	**288,965**	380,607
Distributions to holders of perpetual capital securities issued by a subsidiary	**(13,546)**	–
Profit used to determine basic earnings per share	**275,419**	380,607
Weighted average number of ordinary shares in issue, used in the basic earnings per share calculation (in thousands)	**4,403,420**	4,470,248
Basic earnings per share (US$)	**0.06**	0.08
Diluted earnings per share (US$)	**0.06**	0.08

9. INVESTMENT PROPERTIES

	Completed investment properties US$'000	Investment properties under construction US$'000	Total US$'000
At 1 January 2022	2,197,783	1,506,460	3,704,243
Additions	119,405	784,188	903,593
Acquisition of subsidiaries	198,979	134,746	333,725
Disposal of subsidiaries	(831,380)	(97,971)	(929,351)
Disposal	(117,089)	(146,750)	(263,839)
Changes in fair values of investment properties	63,167	132,264	195,431
Transfer from investment properties under construction to completed investment properties	148,906	(148,906)	–
Transfer from completed investment properties to investment properties under construction for redevelopment	(65,659)	65,659	–
Reclassification to assets of a disposal group held for sale	(288,883)	(4,005)	(292,888)
Exchange realignment	(165,110)	(163,572)	(328,682)
At 31 December 2022 (Audited) and 1 January 2023	**1,260,119**	**2,062,113**	**3,322,232**
Additions	**794**	**169,823**	**170,617**
Disposal of subsidiaries	**–**	**(9,805)**	**(9,805)**
Disposal	**–**	**(32,203)**	**(32,203)**
Changes in fair values of investment properties	**3,908**	**111,399**	**115,307**
Transfer from investment properties under construction to completed investment properties	**395,295**	**(395,295)**	**–**
Reclassification to assets of a disposal group held for sale	**–**	**(289,166)**	**(289,166)**
Exchange realignment	**(52,366)**	**(73,862)**	**(126,228)**
At 30 June 2023 (Unaudited)	**1,607,750**	**1,543,004**	**3,150,754**

10. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at 30 June 2023 and 31 December 2022, based on the invoice date and net of loss allowance, is as follows:

	As at 30 June 2023 (Unaudited) US$'000	As at 31 December 2022 (Audited) US$'000
Within 90 days	**458,594**	347,924
91 to 180 days	**11,818**	3,904
Over 180 days	**12,338**	1,660
Total	**482,750**	353,488

11. TRADE PAYABLES

An ageing analysis of trade payables as at 30 June 2023 and 31 December 2022, based on the invoice date, is as follows:

	As at 30 June 2023 (Unaudited) US$'000	As at 31 December 2022 (Audited) US$'000
Within 30 days	**6,577**	13,932
31 to 60 days	**209**	256
Over 60 days	**2,704**	2,534
Total	**9,490**	16,722

12. BANK AND OTHER BORROWINGS

	As at 30 June 2023		As at 31 December 2022	
	Effective interest rate (%)	**(Unaudited) US$'000**	Effective interest rate (%)	(Audited) US$'000
Current				
Bank loans – secured	**2.00–7.20**	**64,218**	0.57–7.20	53,744
Bank loans – unsecured	**2.20**	**135,477**	2.20	95,382
Other borrowings – unsecured	**0.50–10.00**	**51,107**	0.50–10.00	52,560
Bonds – unsecured	**4.15–6.00**	**143,738**	4.25–6.00	88,766
		394,540		290,452
Non-current				
Bank loans – secured	**0.61–9.90**	**1,180,364**	0.57–9.40	1,270,017
Bank loans – unsecured	**1.75–7.92**	**3,564,054**	1.75–7.98	3,392,381
Bonds – unsecured	**5.10**	**165,541**	4.15–5.10	224,727
		4,909,959		4,887,125
Convertible bonds	**5.03**	**324,342**	5.03	319,053
		5,234,301		5,206,178
		5,628,841		5,496,630

12. BANK AND OTHER BORROWINGS *(Continued)*

Debt maturity profile of bank and other borrowings:

	As at 30 June 2023 (Unaudited) US$'000	As at 31 December 2022 (Audited) US$'000
Bank loans repayable		
Within one year	**199,695**	149,126
In the second year	**882,119**	1,161,178
In the third to fifth year, inclusive	**3,524,814**	3,038,692
Beyond five years	**337,485**	462,528
	4,944,113	4,811,524
Bonds and other borrowings repayable		
Within one year	**194,845**	141,326
In the second year	**165,541**	59,199
In the third to fifth year, inclusive	**324,342**	484,581
	684,728	685,106
	5,628,841	5,496,630

INTERIM DIVIDEND

Interim Dividend

The Board has resolved to declare an interim dividend of HK$12.5 cents per share for the financial year ending 31 December 2023 (2022: HK$12.5 cents per share), representing a total payout of approximately HK$547 million (2022: approximately HK$556 million), payable on Friday, 29 September 2023, to shareholders whose names appear on register of members of the Company at the close of business on Thursday, 14 September 2023, being the record date for determining shareholders' entitlement to the proposed interim dividend.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 12 September 2023 to Thursday, 14 September 2023, (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for an interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. Monday, 11 September 2023.

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

Share Repurchase

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 1 June 2022 and 7 June 2023, 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 six months ended 30 June 2023, the Company had repurchased, under the Repurchase Mandate, a total of 38,824,400 Shares representing approximately 0.89% of the issued shares as at 30 June 2023 for a consideration of approximately HK$531.0 million (approximately US$68.0 million, excluding transaction cost).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES *(Continued)*

Month	Number of shares repurchased	Purchase price per share		Aggregate
		Highest	Lowest	Consideration
		HK$	HK$	HK$ million
January 2023	7,614,400	17.68	15.44	127.2
February 2023	6,450,000	16.58	14.02	97.5
March 2023	2,147,000	14.14	13.14	29.5
April 2023	7,320,000	14.24	11.92	95.0
May 2023	13,753,800	12.64	10.94	161.7
June 2023	1,539,200	14.10	11.28	20.1
Total	38,824,400			531.0

At the date of this announcement, 38,824,400 repurchased shares during the six months ended 30 June 2023 have been cancelled.

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.

Shares Purchased By Trustee Under The Long Term Incentive Scheme

During the six months ended 30 June 2023, the Trustee of the Long Term Incentive Scheme of the Company adopted on 2 June 2021 (the "**LTIS**"), pursuant to the rules and trust deed of the LTIS, purchased on the Stock Exchange a total of 3,309,146 Shares of the Company at a total consideration of approximately US$5.3 million (approximately HK$41.4 million, excluding transaction costs).

Saved as disclosed above, during the six months ended 30 June 2023, 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 six months ended 30 June 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") contained in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions of the Company by Directors. The Company has adopted a code of conduct regarding all Directors', officers and employees' securities transactions on terms no less exacting than the required standard set out in the Model Code. In response to specific enquiries made, all Directors confirmed that they have complied with the required standards set out in such code regarding their securities transactions throughout their tenure during the six months ended 30 June 2023.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the Listing Rules. At the date of this announcement, the Audit Committee comprises Mr. Simon James McDonald (Chairman of the Audit Committee), Mr. Brett Harold Krause and Ms. Serene Siew Noi Nah, all of whom are Independent Non-executive Directors.

The Audit Committee has reviewed the Company's interim condensed consolidated results for the six months ended 30 June 2023 and confirmed 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 interim results for the six months ended 30 June 2023 have been prepared in accordance with IFRSs.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of financial position, interim condensed consolidated statement of cash flows and the related notes thereto for the six months ended 30 June 2023 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 interim condensed consolidated financial statements for the Period. Ernst & Young, the Company's external auditor, has been engaged by the Company to conduct review on the Group's interim condensed consolidated financial statements for the Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim 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 interim report for the six months ended 30 June 2023 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 Group Limited
Jinchu Shen
Director

Hong Kong, 23 August 2023

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. Hwee Chiang Lim, Dr. Kwok Hung Justin Chiu and Mr. Rajeev Veeravalli Kannan as Non-executive Directors, Mr. Brett Harold Krause, Mr. Simon James McDonald, Ms. Jingsheng Liu, Ms. Serene Siew Noi Nah and Ms. Wei-Lin Kwee as Independent Non-executive Directors.