ESR

Annual Report 2019

ESR Cayman Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1821

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The figures in this report may be subject to rounding differences.

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Focused on Future Growth

Paving the way forward with a solid portfolio and strong financial position

Jiangsu Friend - III Logistics Park, Kunshan, China

Bucheon Logistics Park, South Korea

Lot 2, Empire Industrial Estate, Yatala, Queensland, Australia

Nanko Distribution Centre I, Osaka, Japan

UE BizHub East, Singapore

Chakan 1 Industrial & Logistics Park, Pune, India

Bucheon Logistics Park, South Korea

AUM GROWTH OF 38.7% TO
US$ 22.1 billion

60%
of tenants by GFA
E-commerce & 3PLs

Focused on solidifying market leading position in Asia

Uniquely leverage on the largest secular growth opportunity in Asia Pacific – LOGISTICS

As the leading logistics real estate platform in Asia Pacific, ESR aims to build best-in-class logistics infrastructure for the new economy. Our leading market positions enable us to provide our high-quality tenants with seamless regional solutions, and connecting our capital partners with a single interface to access investment opportunities in the region. Our underlying business fundamentals remain robust on the back of continued growth in e-commerce and our well-diversified portfolio of assets across Asia Pacific.

Focused on value creation

Optimising potential with end-to-end development capabilities and integrated fund management platform

Our development platform provides tenants with an end-to-end integrated suite of technical capabilities and services. We remain focused on growing our fund management platform to leverage our core competencies and enhance returns through our efficient capital recycling strategy. Increased demand driven by structural market changes will create value through growth, coupled with our strong development workbook, while maintaining an asset-light approach.

US$2.0 billion
of new developments starts in FY2019

14.1 million sqm
development pipeline

315 Cooper Street, Epping, Melbourne, Australia

48 Pandan Road, Singapore

STRONG CASH POSITION
US$884 million

HEALTHY NET DEBT/ TOTAL ASSETS RATIO OF
26.6%

Focused on future growth

Paving the way forward with a solid portfolio and strong financial position

ESR is poised to grow from strength to strength. Beyond our experience and expertise, we are well-capitalised with ample debt headroom to actively pursue strategic growth opportunities. We will continue to adopt a proactive and disciplined capital management approach to maintain a strong balance sheet and optimise costs of debt financing. This ensures our ability to manage large-scale modern industrial and business parks, as well as large-scale logistics property portfolios to generate sustainable returns.

Overview of ESR

WHO WE ARE

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

Over **17.2 million** sqm GFA in operation and under development[1]

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

#1 development pipeline in China[2], Greater Tokyo, Greater Osaka and Seoul[3]

30 private third-party investment vehicles and **2** listed REITs

307 properties across six regions in Asia Pacific

60% of tenant base made up by e-commerce and 3PL tenants

Investment

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

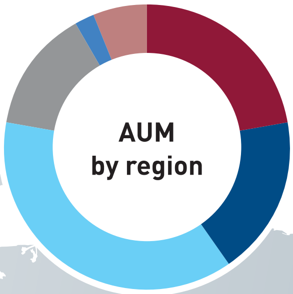
Fund Management

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

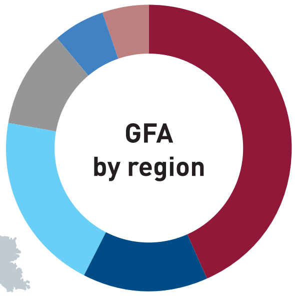
Development

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

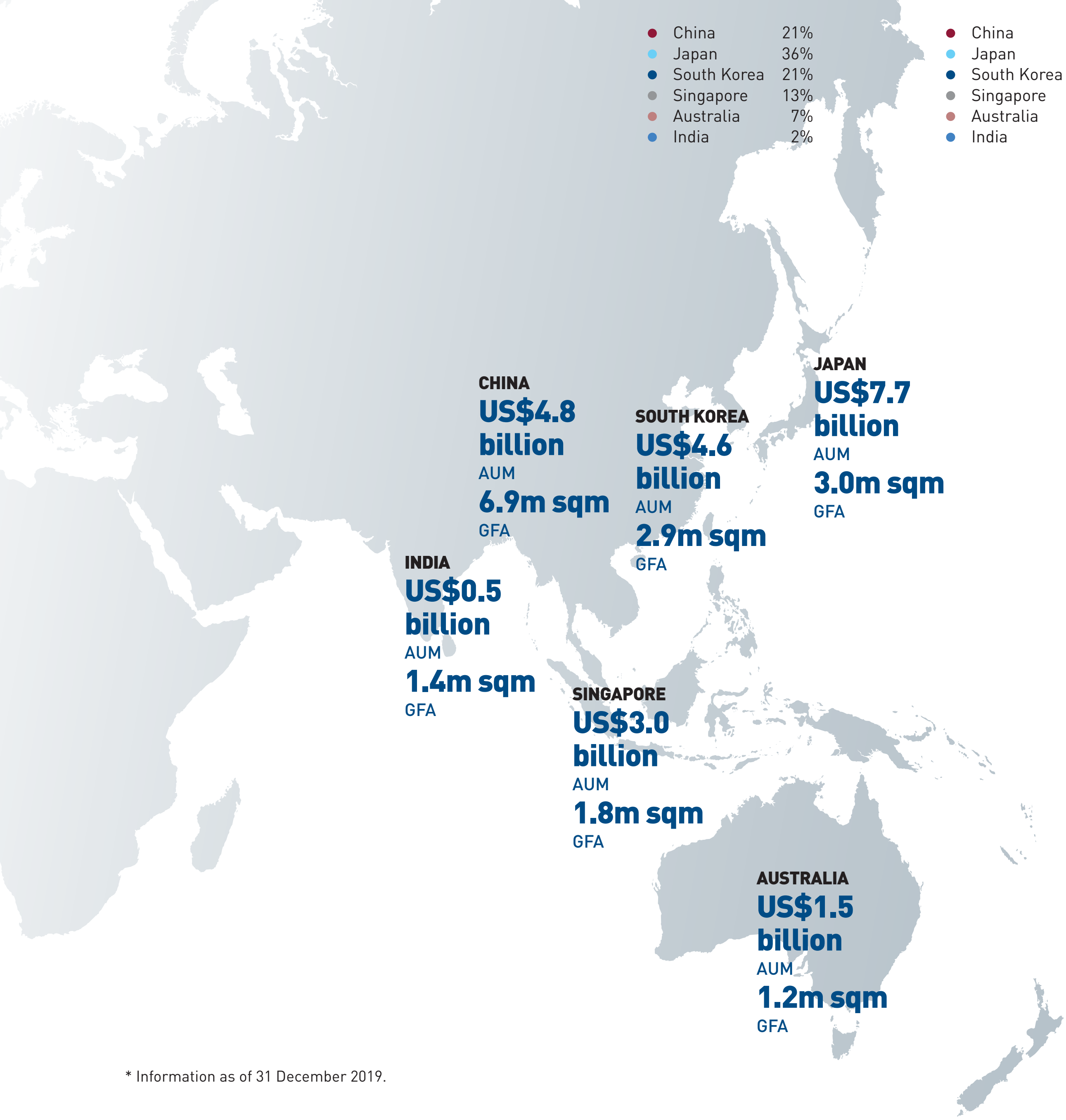
Notes:
1 Consisting of approximately 9.2 million sqm of GFA of completed properties, approximately 4.7 million sqm of GFA of properties under construction and approximately 3.3 million sqm of GFA to be built on land held for future development as of 31 December 2019.
2 In Greater Shanghai, Greater Beijing and Greater Guangzhou from 2020 to 2021.
3 In Greater Tokyo, Greater Osaka and Seoul Metropolitan Area, measured by GFA from 2019 to 2020.
4 In terms of proportion of total area occupied in China in comparison only to GLP as of September 2017 when GLP was privatised.



China	21%
Japan	36%
South Korea	21%
Singapore	13%
Australia	7%
India	2%



China	40%
Japan	18%
South Korea	17%
Singapore	10%
Australia	7%
India	8%



* Information as of 31 December 2019.

FY2019 Financial Highlights

US$ 549 million
TOTAL EBITDA
+42.9%

US$ 245 million
TOTAL PATMI
+20.8%

US$ 227 million
CORE PATMI[1]
+53.6%

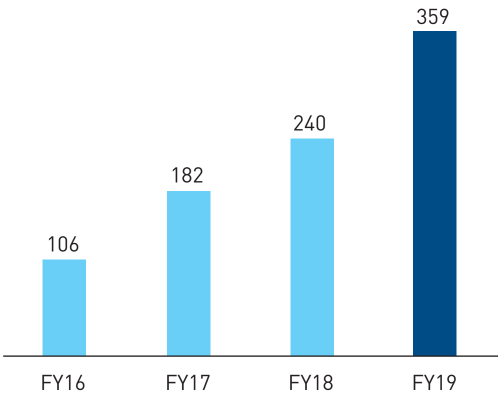
US$ 22.1 billion
ASSETS UNDER MANAGEMENT[2]

US$ 6.9 billion
MARKET CAPITALISATION[2]

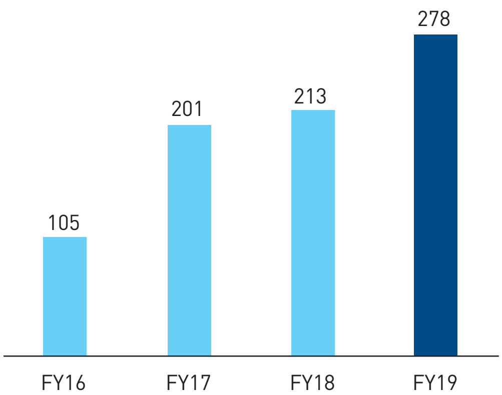
4.2 years
PORTFOLIO WALE[3]

Notes:
1 Core PATMI is calculated as profit after tax and minority interests, adding back equity-settled share option and the listing expenses, and less the effect of fair value gains on completed investment properties (net of tax). Refer to non-IFRS measures reconciliation in page 240.
2 As of 31 December 2019.
3 Based on assets held on balance sheet and portfolio assets held in funds and investment vehicles and by leased area.

Adjusted EBITDA[1]
(US$ million)



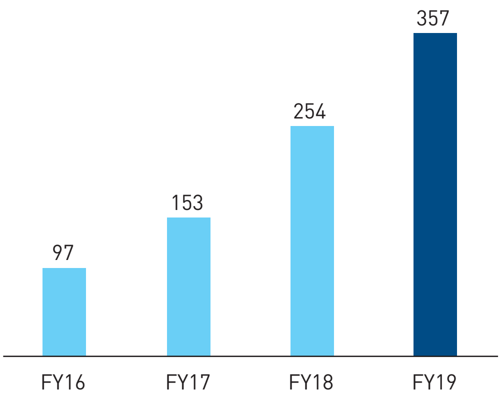
Profit after Tax
(US$ million)



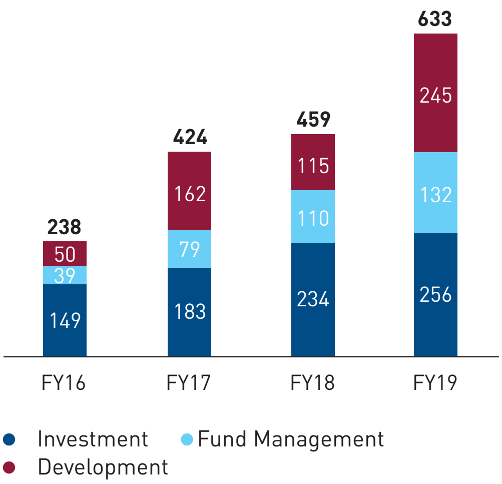
CASH

US$884 million

Revenue
(US$ million)



Total Segmental Results
(US$ million)



NET DEBT / TOTAL ASSETS

26.6%

NET DEBT/ EQUITY

51.9%

BALANCE SHEET (US$ MILLION)	FY2016	FY2017	FY2018	FY2019
Total assets	2,102	3,055	4,432	6,352
Cash and bank balances	486	601	581	884
Bank and other borrowings	835	833	1,460	2,571
Net debt[2]	350	233	879	1,687
Net debt/total assets	16.6%	7.6%	19.8%	26.6%

Notes:
1 Adjusted EBITDA is calculated as profit before tax, adding back depreciation and amortization, exchange loss/(gain), finance costs, equity-settled share option, fair value loss on derivative financial instruments, write-off related to loss of property, plant and equipment and the listing expenses, and eliminating the effect of interest income, one-off insurance compensation and fair value gains on completed investment properties and investment properties under construction.
2 Net debt is calculated as bank and other borrowings less cash and bank balances.

* Adjusted EBITDA, Core PATMI and EBITDA 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. Adjusted EBITDA, Core PATMI and EBITDA 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 Adjusted EBITDA, Core PATMI and EBITDA are not IFRS measures, these may not be comparable to similarly titled measures presented by other companies. Refer to non-IFRS measures reconciliation in page 240.

Message from Chairman

Jeffrey David Perlman, Chairman

Dear Shareholders,

We are delighted to present ESR's Annual Report for FY2019, our first since the Group's listing on the Main Board of the Stock Exchange of Hong Kong ("SEHK") in November.

Thanks to our dedicated management team, employees, customers, capital partners and other stakeholders, ESR enjoyed a banner year in 2019. Our commitment to deliver best-in-class 21st century logistics infrastructure has earned ESR the reputation as the leading logistics real estate platform in Asia Pacific.

The unique scope of ESR's fully integrated logistics real estate platform across China, Japan, South Korea, Singapore, Australia and India continued to support our customers to expand their business seamlessly throughout Asia Pacific while providing investment opportunities for our capital partners to take advantage of the region's secular growth.

Successful IPO

2019 was a transformational year for ESR. Among the many milestones we achieved, our highly successful Hong Kong IPO stands out as a tremendous vote of confidence by the investment community. We are proud that ESR's US$1.8 billion IPO represented the third largest fundraising on SEHK in 2019 and Hong Kong's largest real estate float in five years.

We are grateful for our investors' support as a part of the IPO, especially our cornerstone investor OMERS as well as other leading global investors who served as large anchor investors. Their confidence in ESR's team, our Asia Pacific focused strategy and the strong growth prospects for the logistics real estate industry across the region was instrumental in delivering a highly successful IPO despite a highly volatile and difficult macro environment.

While it is important to acknowledge the key milestone for the Group, we feel it is really just the beginning of a long and exciting journey ahead. The ESR team is ready for this new challenge and remains focused on delivering long-term value for our shareholders.

Financial Performance

ESR is well-positioned to capitalise on the strongest secular trends in Asia including the continued growth of e-commerce, the significant shift in capital flows to the region from the US and Europe and the superior risk/reward proposition for logistics which is leading to higher capital values. Against this backdrop, the Group was able to deliver exceptional performance across all business segments in FY2019.

In FY2019, ESR recorded strong revenue of US$357.4 million, representing 40.6% year-on-year growth. EBITDA reached US$549.1 million, up 42.9% from last year. Net profit* was US$245.2 million, up 20.8% from last year. We also maintained a strong balance sheet with US$884.2 million of cash and net debt/total assets ratio of 26.6%.

* *Profit after tax and minority interest (PATMI)*

The IPO is really just the beginning of a long and exciting journey ahead. The ESR team is ready for this new challenge and remains focused on delivering long-term value for our shareholders.

Key Developments

Over the course of FY2019, ESR has further consolidated our scale and leading position in every one of our markets. In FY2019, our fund management business, the lifeblood of the business, grew its AUM by 38.7% to US$22.1 billion and GFA increased by 42.8% to 17.2 million sqm.

Our platform expansion has been fuelled by the strong momentum for both organic growth and M&A activities.

In Australia, ESR completed the acquisition of Propertylink in March. Propertylink is an internally managed REIT previously listed on the ASX that specialises in Australia's industrial and office investments. The Propertylink acquisition both strengthened our local asset management capabilities and instantly scaled up our platform to make ESR a major player in Australia in a short period after entering the market.

In Singapore, another strategically important market for ESR's permanent capital vehicles as a key driver of long-term AUM, we further expanded our presence by acquiring 100% of the Sabana REIT manager as well as increasing ESR's equity interest in Sabana REIT and AIMS APAC REIT.

Our integrated fund management platform comprising 32 private and listed investment vehicles and spanning various stages of the property cycle and risk/reward spectrum positions ESR as a partner of choice for many of the world's preeminent investors. Last year we were excited to collaborate with a growing number of new capital partners to create new vehicles. At the same time, we continued to expand existing relationships with capital partners such as APG on multiple vehicles and geographies. In FY2019, ESR raised a total of US$1.3 billion across seven vehicles[1].

Our ability to acquire prime sites has proven to be a competitive advantage for ESR's long-term success. In FY2019, we made significant investments in prime land sites across the region to satisfy the fast-growing demand for large e-commerce distribution centres and last-mile logistics. In Japan, for example, ESR secured a rare opportunity to acquire a prime parcel of land on Tokyo Bay to develop Japan's largest master-planned logistics park, ESR Yokohama Sachiura Distribution Centre, in an investment valued at over US$1 billion in its first phase.

Corporate Responsibility

As we strengthen our commitment to delivering the 21st century logistics infrastructure that Asia Pacific needs to succeed in the new economy, ESR is aware that expansion is not our only goal. Our success will be equally determined by ESR's ongoing efforts to become a better company, embracing the highest standards of corporate governance, working to be a responsible corporate citizen and improving the communities where we live and work.

ESR is committed to leading on the sustainability front. We build environmentally friendly facilities, integrate sustainability elements into the operations of our facilities and create a human-centric environment for our tenants and our own employees. Today, more and more leading businesses view such facilities as an important factor contributing to their success, especially in more

Note:

1 Excludes the joint venture with GIC which was signed in December 2019 and announced in January 2020. There was no drawdown for the fund as at 31 December 2019.

advanced markets such as Japan and South Korea. We leverage our knowledge and experience to introduce such best practices and ideas to emerging markets to foster development of sustainability concepts in their industries.

Outlook – 2020 and Beyond

The challenges facing global business in 2020 are considerable – COVID-19, the continued trade tensions, US elections and more. The global outbreak of COVID-19, in particular, has brought about new dynamics and unquestionable uncertainties.

First, I have been incredibly inspired by how the ESR team has rallied around the region in support of their fellow colleagues, customers, capital partners and other key stakeholders. The senior leadership team, led by Stuart and Jeffrey, very quickly made the wellbeing and safety of all of our stakeholders our top priority and appropriate measures were put in place to ensure so. ESR will remain steadfast in its focus to deliver for its employees, customers and especially for its local communities impacted by COVID-19.

On the business side, we are beginning to witness accelerated structural changes in buying habits (as more goods are purchased online) and at the same time a decision by many retailers and manufacturers to revisit the "just-in-time" inventory model and add greater levels of inventory locally in each of their markets. The combination is driving businesses to modernise, improve and expand their logistics facilities and capabilities. At ESR, we strive to support the business needs of our customers and capital partners across the region.

We believe that Asia Pacific is really well positioned, underpinned by positive long-term demographic and economic trends, which put the logistics sector on a course for outsized long-term growth. We are confident that our platform scale, business model and deep expertise position us exceptionally well to ride numerous favourable trends that underpin the performance of the industry's most resilient and sought-after asset class. We see our entrepreneurial spirit, vision and execution capabilities playing an important role in managing the turbulent market conditions and tapping into the long-term growth potential for logistics infrastructure in Asia Pacific.

ESR's ongoing success will be driven by our asset-light, client-centric and e-commerce focused approach.

Dongguan Machong Logistics Centre, Dongguan, China

ESR's ongoing success will be driven by our asset-light, client-centric and e-commerce focused approach. Looking ahead, we will continue our capital recycling strategy to fuel the growth of our platform and further consolidate ESR's leading position in Asia Pacific. We will also continue to grow our integrated fund management platform across geographies, strategies and risk/return profiles to attract new capital partners, while expanding collaboration with existing partners in new products and geographies. The development of state-of-the-art logistics facilities will remain our focus as we strive to set new industry standards to meet our customers' growing needs. And finally, we will leverage our scale and geographic presence to identify and develop opportunities in new markets while improving regional connectivity.

As our platform continues to expand, integration plays a critical role in our long-term growth. We welcome and embrace new team members to build and make the ESR team stronger than ever. The success of ESR's integration efforts has helped ensure the continuous growth and smooth operations of our platform across markets. We are pleased that the hard work and dedication of our management team and employees have built a reputation of excellence for ESR.

2020 is set to herald a new era as we witness significant economic headwinds as a result of COVID-19. Today, businesses will need to be even more nimble, execution driven and forward thinking to succeed in a rapidly changing and more complex world. We have strong conviction that logistics infrastructure will be one of the pillars in shaping the new economy. We are confidently looking ahead at 2020 and beyond, building on the solid foundation the ESR team has put in place.

In Appreciation

I would like to extend my sincere appreciation and gratitude to our Board of Directors for their invaluable support and contributions. I would also like to thank the management team and all of our employees for their dedication and commitment that has made ESR the success story that it is today.

Last, but by no means least, I want to thank our capital partners, customers and valued stakeholders for their continued support and confidence.

Jeffrey David Perlman
Chairman
21 March 2020

Message from CEOs

Jinchu Shen and Stuart Gibson, Co-founders and Co-CEOs

2019 was a remarkable year as ESR delivered a strong financial performance for shareholders, healthy returns for our capital partners and best-in-class logistics facilities and solutions for our customers.

The highlight of 2019 was the success of our IPO on the Main Board of SEHK. It was the culmination of a year in which we expanded the scale of our business to consolidate ESR's position as the largest Asia Pacific focused logistics real estate platform. ESR's financial results and IPO are a testament to our employees' hard work and dedication, our management team's insightful growth strategy, the well-earned confidence of our capital partners as well as the ongoing support of our customers and a range of other stakeholders.

Our IPO, which raised US$1.8 billion, was an incredible vote of confidence in our unique Asia Pacific focused strategy, asset-light expansion model and e-commerce focused approach. The confidence shown by investors in our IPO meant a lot to us. It has opened the door to institutional and retail investors from around the world, while delivering a huge boost in public awareness of ESR's competitive advantages and broadening opportunities with both capital partners and customers. The IPO enabled ESR to not only expand its shareholder base, but effectively lowered capital costs essential to maintain our long-term strategy of consistent growth and rapid expansion. At the same time, we are highly cognisant of the fact that success comes with new responsibilities. We are confident that ESR's management team stands ready to fulfill these obligations in areas such as corporate governance, transparency and social and environmental efforts.

Performance Highlights

In 2019, ESR maintained robust growth momentum, rapidly expanding our platform reach and scale across Asia Pacific. Our AUM and GFA made impressive growth of 38.7% to US$22.1 billion, and 42.8% to 17.2 million sqm, respectively.

From platform expansion to integration, capital raising to recycling, property development to tenant relationships and occupancy, our successful business model and growth strategy delivered on corporate targets in every one of our business areas.

One of the highlights of our platform expansion included the acquisition of Australia's Propertylink and its smooth integration into the ESR family, which marked a milestone in building out our Australia footprint to reinforce our position as the leading Asia Pacific platform.

In Singapore, we increased our equity stake in Sabana REIT and AIMS APAC REIT. This was an important step that was key to enhancing our presence in the REIT sector and setting the foundation for the ASEAN regional market.

Our capital recycling strategy of transferring assets into our new funds and investment vehicles continued to fuel growth across our platform. We partnered with New China Life Insurance to create our second core fund in China with a portfolio of seven assets valued at US$276.7 million. We also established two new mandates ESR Australia Logistics Trust (EALT) and ESR Office Partnership IV (EOP IV) with asset values of A$175 million (US$120 million) and A$138 million (US$94 million), respectively.

This strong capital raising capability by ESR was also demonstrated in the closing of the ESR Japan Logistics Fund III (RJLF III) with an initial investment capacity of up to JPY200 billion (US$1.8 billion).

2019 was also a year in which we actively sought to identify and acquire strategic development sites across the markets. Some of the key sites included ESR Yokohama Sachiura Distribution Centre which is set to be the largest master-planned logistics park in Japan, and ESR Aisai Distribution Centre in Nagoya. Our total development pipeline across the portfolio, as a result, increased to 14.1 million sqm. During the year, we completed a number of development projects that translated to an investment value of US$1.9 billion, representing a GFA of 1 million sqm.

We have maintained our standards of building best-in-class facilities with advanced modern specifications, state-of-the-art architecture and sustainability elements. Our network of prime facilities located strategically across Asia Pacific's most important cities and business hubs has continuously gained the support of a growing number of blue-chip international and domestic tenants, especially e-commerce companies and 3PL providers. During the year, we maintained a high occupancy of 93% for stabilised assets on our balance sheet. Many of our tenants have been with us for years and across multiple markets. Our ability to forge such strong relationships has been a cornerstone of ESR's long-term success.

Commitment to integrating ESG considerations across the logistics real estate development cycle is an integral part of our corporate vision. We have built diligence, transparency and accountability processes into many aspects of our work.

In 2019, ESR further strengthened our sustainability framework, organising material ESG issues for the business into three key pillars: People and Partners, Corporate Performance and Property Portfolio.

Beyond fulfilling local health, safety and environmental regulations, we set a standard of going a step further for many of our projects and initiatives, and that has gained industry-wide recognition for ESR.

From platform expansion to integration, capital raising to recycling, property development to tenant relationships and occupancy, our successful business model and growth strategy delivered on corporate targets in every one of our business areas.

In South Korea, for example, we were proud to announce that our flagship Bucheon Logistics Park earned the first WELL Gold Certification in Asia Pacific's logistics real estate for its outstanding achievement in creating a work environment based on promoting health and wellness. A growing number of other ESR developments have also won recognition by global standards such as the Comprehensive Assessment System for Built Environment Efficiency (CASBEE) in Japan, and the Leadership in Energy and Environmental Design (LEED) in China and South Korea, GBCA Green Star in Australia, and BCA Green Mark in Singapore.

Markets

ESR's unique focus on Asia Pacific's logistics real estate once again in 2019 delivered what may be the global industry's best and most resilient opportunities for growth.

However, as we turn to 2020, the global outbreak of COVID-19 has presented almost every person and business with uncertainties and disruptions. During this exceptional time, all of our teams are working diligently to ensure our facilities remain safe and efficient, and maintain the highest level of our service to our customers and capital partners.

Based on our observation since the outbreak of the pandemic, COVID-19 has accelerated the structural change in consumers' buying habits and retailers' supply chain management, and these changes can be long term. Many retailers and suppliers are now looking to modernise and improve their logistics facilities and capabilities in response to supply chain challenges arising from surging orders and transportation disruptions.

Despite a challenging macro environment in the near term, we expect these structural trends will reinforce the resiliency of logistics real estate, boosting demand from investors during this period and beyond.

In the long run, ESR remains confident that logistics real estate in the Asia Pacific will continue to offer what we believe to be the world's best secular growth opportunities, propelled by the continuous positive trends of e-commerce, urbanisation, economic growth and domestic consumption in the region.

Among those positive trends, e-commerce continues to be a major factor driving the logistics sector and we are confident that there is a long runway for growth. Demand for institutional grade logistics space, in particular from e-commerce companies and 3PL providers, continues on its upward trajectory in meeting the surge in last-mile delivery demand as well as the structural shift towards online consumption.

In most markets across Asia Pacific, there has been a significant undersupply of modern logistics space. Modern logistics in Asia Pacific as a proportion of total logistics space is relatively low compared to the United States. For example, it is estimated that only 5% to 7% of the total logistics facilities in China and Japan consist of modern logistics facilities for lease.

While we have identified a compelling opportunity, each of our six markets naturally contends with its own, unique landscapes, opportunities and challenges.

Japan, for example, is typically viewed as a mature market where returns and growth are relatively low. However, the logistics real estate sector turns that view on its head. Lagging behind its neighbours in e-commerce despite its advanced technology, Japan has huge capital values especially for operators with the right assets and strategies.

India, being an early growth market, is seeing an increasing number of international providers and investors eager to get a foothold in the country. It is looking forward to rapid growth in both scale and standards driven by a confluence of factors including e-commerce and urbanisation as well as government policies and infrastructure development. The sheer size and potential of the Indian market will likely see the country emerge as a new growth leader in the region.

Leveraging our regional network and local capabilities, ESR has built a platform designed to thrive across these markets. ESR is one of the very few experienced, scalable providers with wide exposure in various geographies and products in the Asia Pacific market today. As such, our network and portfolio accommodate and cater to investors and customers with various strategies, serving as a single platform for them to tap into opportunities across the region.

Strategy
ESR's strategy of building an integrated Asia Pacific platform proved its effectiveness in delivering value for capital partners and customers. With our deep expertise and experience in this dynamic region, we remain confident that the ESR platform has the capability to weather the headwinds facing many asset classes and to make the most of the growth opportunities in Asia Pacific.

We are strong believers in the growth of Asia Pacific in the 21st century. While the markets are favourable for continued growth, success will also depend on ESR's ability to identify the right strategy, vision and people. We believe we have all three. As we prepare for the growth ahead, we emphasise ESR's commitment to providing the best-in-class Space and Solutions for the Future. We are not simply providing logistics facilities, but integrated solutions to maximise our customers' logistics efficiency and support their business expansion while delivering strong, sustainable returns for our capital partners over the long term.

ESR expects a growing number of businesses will require modern facilities that embrace technology and sustainability to improve supply chain efficiency and performance. We have found rising interest among both tenants and investors who aim to expand their business or logistics portfolio in Asia Pacific. ESR will continue to explore opportunities to move into new growth markets and expand hand in hand with our customers and capital partners to further scale our platform.

In this fast-evolving environment, ESR requires a vision that looks beyond space to build a sustainable business. As the largest Asia Pacific focused logistics real estate platform, ESR will never lose sight of the importance of ESG. We define ESG as an integral part of our operations that forms the forefront of ESR's strategic priorities. It guides us in evaluating opportunities and advancing industry standards in our operations and delivering to our customers. It keeps ESR as a responsible and forward-looking company, ensuring us to ever improve our ability to generate long-term shareholder value, and improve the wellbeing for all in the communities that we operate in.

The story of 2020 will, no doubt, be challenging, affected by recent events, in particular the COVID-19. Markets around the world will see growth soften at least in the near term. While Asia Pacific will not be isolated from the impact of the events, we will be vigilant and prudent in our operations while looking for new opportunities to sustain the growth of our business. We at ESR are confident that logistics real estate will continue to enjoy robust demand from both investors and customers, and the underlying strengths of Asia Pacific markets will remain a key driver for the long-term development of the sector.

Appreciation
As we look back on 2019, we are undeniably pleased with ESR's achievements and our ability to meet challenges to outperform the market. We are especially proud of the professional and experienced team we have brought together at ESR. The deep base of knowledge and insights our management team has developed in our Asia Pacific markets deliver very tangible value to our capital partners and customers. The teams in each of our markets have integrated successfully and now operate seamlessly to build our unique logistics real estate platform that is unrivalled in Asia Pacific. The management teams together with our dedicated and hardworking employees have made ESR a world-class company as well as an industry leader.

Once again, we are grateful to our capital partners and customers who have shown so much faith in ESR. To our Board of Directors, we express our sincere thanks for your sage advice and guidance. We look forward to working with all of you on our journey to make ESR a leader in logistics real estate and beyond while spurring the modernisation of logistics infrastructure across the Asia Pacific region.

Jinchu Shen and Stuart Gibson
Co-founders & Co-CEOs
21 March 2020

Board of Directors

Mr Jeffrey David PERLMAN, 36

Chairman and Non-executive Director

Date of first appointment as Director:
14 June 2011

Mr Jeffrey David Perlman was appointed as a Director on 14 June 2011 and was re-designated as a non-executive Director on 22 February 2019. He was appointed as our chairman on 20 May 2019.

Mr Perlman joined Warburg Pincus LLC ("Warburg Pincus") in 2006, and has been serving as Managing Director and Head of Southeast Asia since May 2016, leading Warburg Pincus' investments in Southeast Asia in addition to focusing on real estate investments across the greater Asia-Pacific region. Mr. Perlman is also a member of Warburg Pincus' Executive Management Group. Prior to joining Warburg Pincus, he worked in the Real Estate Investment Banking Group at Credit Suisse from July 2005 to August 2006. Mr Perlman is a director and member of the executive committee and the nomination and remuneration committee of ESR Funds Management (S) Limited ("ESR-REIT Manager"), the manager of ESR-REIT, a real estate investment trust listed on the Singapore Exchange Securities Trading Limited (Stock Code: J91U), since January 2017. Mr Perlman was also a director of Vincom Retail Joint Stock Company, a company listed on the Ho Chi Minh City Stock Exchange in Vietnam (Stock Code: VRE), from July 2013 to September 2017, and was re-appointed and served as a director during the period from February 2018 to July 2019.

Mr Perlman graduated from University of Michigan in the United States in April 2005, where he obtained a bachelor's degree in business administration from its Ross School of Business. Mr. Perlman is a director of certain companies controlled by a substantial shareholder (within the meaning of the SFO) of our Company.

Mr Jinchu SHEN, 47

Executive Director, Co-founder and Co-Chief Executive Officer

Date of first appointment as Director:
30 June 2011

Mr Jinchu Shen, also known as Jeffrey, is a co-founder of e-Shang Cayman Limited ("e-Shang") and has been the co-CEO of our Group since June 2011. He was appointed as a director of e-Shang on 30 June 2011 and following the 2016 Merger, was appointed as a Director and is responsible for overseeing our Company's overall operations and business development, leading regional growth strategies, and expanding our Company's asset and fund management platforms. Mr Shen was re-designated as an Executive Director on 22 February 2019.

Mr Shen has over 20 years of industrial real estate experience in China. Prior to co-founding our Group in June 2011, Mr Shen held a variety of roles, including Senior Vice President, at GLP Investment Management (China) Co., Ltd. (普洛斯投資管理(中國)有限公司) (formerly known as Prologis China) from January 2004 to September 2010, overseeing the Eastern China area. Mr Shen was the deputy director in DTZ Debenham Tie Leung International Property Advisers from June 2001 to December 2003 and prior to this, he was the assistant general manager of marketing at Shanghai Waigaoqiao Free Trade Zone Xin Development Co., Ltd from July 1995 to November 2000. Mr Shen was also a director of ESR-REIT Manager, the fund manager of ESR-REIT, from January 2017 to January 2019.

Mr Shen graduated from the Shanghai Jiaotong University in China in July 1995, where he obtained a bachelor's degree in technical economics. In July 2001, he obtained a master's degree in business administration from Donghua University in China.

Mr Stuart GIBSON, 56

Executive Director, Co-founder and Co-Chief Executive Officer

Date of first appointment as Director:
20 January 2016

Mr Stuart Gibson is a co-founder of our Group, and was the co-founder and CEO of the Redwood group from July 2006 until the 2016 Merger, and he has been the co-CEO of our Group since January 2016. He was appointed as a Director on 20 January 2016 and is responsible for overseeing ESR's overall operations and business development. Mr Gibson was re-designated as an executive Director on 22 February 2019.

Mr Gibson has over 24 years of real estate development and investment experience in Asia, which includes 15 years spent in the Japanese industrial real estate sector. Mr Gibson joined Prologis B.V. (formerly known as LogiStar B.V.) in 1998 as the development associate, and was subsequently seconded from Prologis B.V. to Prologis Japan as a vice president from 2000 and was later promoted to the country head of Prologis Japan. He is the former co-founder and co-CEO of AMB BlackPine from 2003 to 2006, which was subsequently incorporated into Prologis. He was also the Chairman of AMB Property Corporation Japan Advisory Committee from July 2006 to December 2007.

Mr Charles Alexander PORTES, 50

Executive Director, Co-founder and President

Date of first appointment as Director:
20 January 2016

Mr Charles Alexander Portes, also known as Charles de Portes, is a co-founder of our Group and was the co-founder and President of the Redwood group from July 2006 until the merger between e-Shang, ESR Singapore Pte. Ltd. (formerly known as Redwood Group Asia Pte. Ltd.) and Redwood Asian Investments Ltd. pursuant to a merger agreement in January 2016, and he has been the President of our Group since January 2016. He was appointed as a Director on 20 January 2016 and is responsible for overseeing our Company's overall private equity capital raising and operations and business development. Mr Portes was re-designated as an executive Director on 22 February 2019.

Mr Portes has over 24 years of real estate investment experience, including 20 years in the industrial sector in Asia. Mr Portes was the co-founder and co-CEO of AMB BlackPine from 2003 to 2006, which was subsequently incorporated into Prologis and was a Member of the AMB Property Japan Advisory Committee from June 2006 to August 2008. Mr Portes was the Head of Acquisitions and Capital for Europe and Asia for Prologis Japan from 1998 to 2003 and he worked in real estate, principally in investments, at Goldman Sachs Investment Holdings (Asia) Limited from 1996 to 1998.

Mr Portes graduated from The John Hopkins University in the United States in May 1991, where he obtained a bachelor's degree in International Political Economy. In July 1996, he further obtained a master's degree in business administration from INSEAD, France.

Board of Directors

Mr Joseph Raymond GAGNON, 42

Non-executive Director

Date of first appointment as Director:
30 June 2011

Mr Joseph Raymond Gagnon was appointed as a Director on 30 June 2011 and was re-designated as a non-executive Director on 22 February 2019.

Mr Gagnon joined Warburg Pincus LLC in September 2005 as a Managing Director, focusing on the firm's real estate investment business in China and Southeast Asia. Mr Gagnon served as a non-executive director of Red Star Macalline Group Corporation Ltd., a company listed on the Main Board of the Stock Exchange (Stock Code: 1528), from December 2009 to May 2019. He has been serving as a director of Vingroup Joint Stock Company, a company listed on the Ho Chi Minh City Stock Exchange, in Vietnam (Stock Code: VIC) since 2013. In addition, he served as a director for Vincom Retail Joint Stock Company, a company listed on the Ho Chi Minh City Stock Exchange, in Vietnam (Stock Code: VRE), from July 2013 until September 2017.

Mr Gagnon graduated from Wake Forest University in the United States in August 2000, where he obtained a bachelor's degree of science in mathematical economics. Mr. Gagnon is a director of certain companies controlled by a substantial shareholder (within the meaning of the SFO) of our Company.

Mr Zhenhui WANG, 45

Non-executive Director

Date of first appointment as Director:
10 May 2018

Mr Zhenhui Wang was appointed as a Director on 10 May 2018 and was re-designated as a Non-Executive Director on 22 February 2019.

Mr Wang has been the CEO of JD Logistics since April 2017 and is in charge of its logistics operations and services to businesses across a wide range of industries. Prior to this role, he joined JD.com in April 2010 as general manager of its North China region. He has also held leadership roles at JD.com in its Warehousing and Logistics Department from August 2013 to July 2014, and served as President of JD Smart from July 2014 to May 2016.

Mr Wang graduated from the University of Science and Technology Beijing, in China, in July 1998 where he obtained a Bachelor of Engineering degree and obtained an EMBA degree from China Europe International Business School in November 2016. Mr. Wang is a director of certain companies controlled by a substantial shareholder (within the meaning of the SFO) of our Company.

Mr Ho Jeong LEE, 53

Non-executive Director

Date of first appointment as Director:
3 August 2017

Mr Ho Jeong Lee was appointed as a Director on 3 August 2017 and was re-designated as a non-executive Director on 22 February 2019. He is also a member of the Audit Committee.

Mr Lee has been an executive of SK Holdings Co., Ltd since January 2017 to date. In addition to this, Mr Lee has worked for various SK group companies, including various roles at SK Innovation Co., Ltd, such as Business Development Manager and Marketing Information Manager, from April 1991 to November 2018, various roles at SK Networks, such as Vice President in the Strategy & Planning Division, between June 1999 and December 2016, as well as President at SK Pinx from January 2015 to December 2015.

Mr Lee graduated from Inha University in South Korea in February 1991, where he obtained a Bachelor of Science in Engineering degree. In August 2008, he further obtained a master's degree from the Korea University in South Korea, in business administration from the Korea University Business School. Mr. Lee is a director of certain companies controlled by a substantial shareholder (within the meaning of the SFO) of our Company.

Mr Brett Harold KRAUSE, 51

Independent Non-executive Director

Date of first appointment as Director:
20 May 2019

Mr Brett Harold Krause is an independent non-executive Director and also the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee. He was appointed as an independent non-executive Director on 20 May 2019.

Mr Krause has extensive experience in the banking industry in Asia and in corporate management. In March 2018, Mr Krause became the Chief Strategy Officer at FunPlus. FunPlus engages in digital interactive entertainment with major offices in San Francisco and Beijing. Prior to FunPlus, Mr Krause was the Managing Partner at PurpleSky Capital LLC, a China-based angel venture capital firm specializing in funding start-ups in high-tech sectors, from July 2016 to February 2018. Mr Krause was the President of JPMorgan Chase Bank (China) Co. Ltd. from January 2014 to July 2016 and prior to this, he held various senior roles in Citigroup, including CitiService Head of Citibank NA, Taipei in Taiwan from January 1999 to May 2000, e-Business Head of Citibank NA, Tokyo, in Japan, from May 2000 to January 2002, Director and Cash Management Head of Citigroup Global Transaction Services of Citibank NA, Shanghai in Shanghai, China, from January 2002 to January 2005, Managing Director and Head of Global Transaction Services of Citibank China Co., Ltd. in Shanghai, China, from February 2005 to June 2008, and Citi Country Officer, Vietnam of Citibank NA in Vietnam from July 2008 to December 2013. Mr Krause has also been an independent board director for both East West Bank (China) Limited since November 2017 and Vincom Retail Joint Stock Company, a company listed on the Ho Chi Minh City Stock Exchange in Vietnam (Stock Code: VRE), since September 2017.

Mr Krause graduated from Georgetown University in the United States in May 1991, where he obtained a Bachelor of Science degree in foreign service. In May 1996, he further obtained a master's degree in business administration from Columbia Business School of Columbia University in the United States.

Board of Directors

The Right Honourable, Sir Hugo George William SWIRE, KCMG, 60

Independent Non-executive Director

Date of first appointment as Director:
20 May 2019

Sir Hugo George William Swire KCMG, is an independent non-executive Director and also the chairman of the Nomination Committee. He was appointed as an independent non-executive Director on 20 May 2019.

Since 2016, Sir Hugo has been the Deputy Chairman of Commonwealth Enterprise and Investment Council. From 2001 to 2019, he was the Member of Parliament for East Devon. He has held several ministerial roles in the United Kingdom, including Minister of State for Northern Ireland between 2010 and 2012, as well as Minister of State for the Foreign and Commonwealth Office between 2012 and 2016. Sir Hugo was sworn to the Privy Council of the United Kingdom in 2011, and was awarded a knighthood in the United Kingdom in August 2016.

Since March 2018, Sir Hugo has been the non-executive chairman of the British Honey Company Plc which was listed on the Aquis Stock Exchange in London. The company makes a range of alcohol spirits under the Keepr's label and associated honey products. Sir Hugo is also the chairman of Imprimatur Capital. Prior to this, he also served as an independent non-executive director on the board of Photo-Me International plc, a company listed on the London Stock Exchange in the United Kingdom (Stock Code: PHTM) that operates, sells and services a range of instant service equipment, from 2005 to 2010 as an independent non-executive director, including as the non-executive chairman from 2008 to 2010. Sir Hugo was a non-executive director of Symphony Environmental Technologies Plc, a company whose shares are listed on the London Stock Exchange (Stock Code: SYM) from October 2008 to May 2010. He worked as a deputy director at Sotheby's in London from 1992 to 1996 and as a director from 1996 to 2003, prior to which he was the Head of the National Gallery Trust Office in London from 1988 to 1992.

Sir Hugo attended University of St. Andrews in Scotland, the United Kingdom, where he was studying towards a master's degree in fine arts and medieval history from 1978 to 1979, and attended Royal Military Academy at Sandhurst in the United Kingdom. From 1980 to 1983, Sir Hugo was commissioned as an officer in the 1st Battalion Grenadier Guards.

Mr Simon James MCDONALD, 57

Independent Non-executive Director

Date of first appointment as Director:
20 May 2019

Mr Simon James McDonald is an independent non-executive Director and also the chairman of the Audit Committee and a member of the Remuneration Committee. He was appointed as an independent non-executive Director on 20 May 2019.

Mr McDonald has extensive experience in real estate and management in Asia Pacific and was the head of asset management at Asia Pacific Land from February 2015 to May 2019, and was responsible for the day-to-day oversight of Asia Pacific Land's asset management activities. Prior to this, Mr McDonald held various roles at GE Capital Real Estate, in Sydney in Australia and Tokyo in Japan, from August 1997 to September 2013, including Managing Director Asia Pacific (Portfolio Strategy), Managing Director Asia Pacific (Asset Management), Managing Director Asia Pacific (Risk Management), Joint Managing Director for Australia and New Zealand, and Director (Risk Management).

Mr McDonald graduated from The Australian National University in Australia in May 1987, where he obtained a bachelor's degree in economics. In May 1991, he further obtained a master of business from the University of Technology in Sydney, Australia. Mr McDonald is a member of CPA Australia since April 1987, and subsequently became a fellow member since May 2014. He has also been a fellow of the Financial Services Institute of Australia since June 2005. In addition, Mr McDonald is a member and a Graduate of the Australian Institute of Company Directors since August 2013 and May 2014, respectively.

Ms Jingsheng LIU, 68

Independent Non-executive Director

Date of first appointment as Director:
20 May 2019

Ms Jingsheng Liu is an independent non-executive Director and also a member of the Nomination Committee. She was appointed as an independent non-executive Director on 20 May 2019.

Ms Liu has extensive experience in the capital markets in China. She joined China International Capital Corporation Limited ("CICC") in 1996 and is currently the advisory director at CICC. Prior to this, she held various roles within the CICC group, including the chairwoman of Investment Banking Business Committee of CICC, chairwoman and CEO of China International Capital Corporation (Singapore) Pte. Limited, and the Head of the Strategic Research Department of CICC. Prior to joining CICC, Ms Liu worked at the Department of State Planning and Regional Economy of State Planning Commission (國土規劃和地區經濟司) (currently known as the National Development and Reform Commission) (國家發展和改革委員會) in China.

Ms Liu graduated from Renmin University of China, in Beijing, China in October 1983, where she obtained a bachelor's degree in economics. In November 1992, she further obtained a master's degree in rural development management from Khon Kaen University in Thailand.

Mr Robin Tom HOLDSWORTH, 50

Independent Non-executive Director

Date of first appointment as Director:
14 October 2019

Mr Robin Tom Holdsworth is an independent non-executive and also a member of the Audit Committee. He was appointed as an independent non-executive Director on 14 October 2019.

Mr Holdsworth has over 20 years of experience in private equity fund management and property consultancy. He is currently the Founder and Managing Director of RTH Advisors Limited. From August 2006 to December 2017, Mr Holdsworth was the Senior Partner and Co-Founding Partner at LimeTree Capital Advisors Ltd. Prior to this, he held various roles at Jones Lang LaSalle, including (a) its President Director and Country Head in Indonesia from July 2001 to June 2006; (b) its Head of Corporate services in Indonesia from October 1999 to June 2001; and (c) the Associate Director and subsequently its Country Head in Ho Chi Minh City, Vietnam from July 1997 to September 1999. From July 1995 to June 1997, Mr Holdsworth served as the Hanoi Representative and subsequently the Country Head of Brooke Hillier Parker in Hanoi, Vietnam.

Mr Holdsworth graduated from the University of Exeter in the United Kingdom in July 1991, where he obtained a bachelor's degree in economic and social history.

Group Senior Management

Mr Jinchu SHEN

Executive Director, Co-founder and Co-Chief Executive Officer

Please refer to description under the section on Board of Directors on page 22.

Mr Stuart GIBSON

Executive Director, Co-founder and Co-Chief Executive Officer

Please refer to description under the section on Board of Directors on page 23.

Mr Charles Alexander PORTES

Executive Director, Co-founder and President

Please refer to description under the section on Board of Directors on page 23.

Mr Wee Peng CHO

Group Chief Financial Officer

Mr Wee Peng Cho has been serving as the Chief Financial Officer of our Group since December 2016, and is responsible for all aspects of the Group's financial management, including finance (accounting, tax, budgeting & forecasting), financing (debt and equity), and investor relations.

Mr Cho has over 25 years of experience in finance in international and regional companies in Asia. Mr Cho was the CFO at SATS Ltd. (Stock Code: S58) and Hyflux Ltd. (Stock Code: 600), both listed on the Singapore Exchange, from July 2013 to November 2016 and from January 2011 to May 2013, respectively. Mr Cho joined Hyflux Ltd in early 2007 as Senior VP Group Treasurer and Investment Director and was promoted to Group EVP and Chief Investment Officer in December 2008. He held various treasury roles with Dow Chemical in the USA and Asia Pacific, including Finance Risk Manager (Asia Pacific) and Corporate Finance Manager, from May 1998 to February 2007.

Mr Cho graduated from the Nanyang Technological University in Singapore in April 1993, where he obtained the bachelor's degree in accountancy (2nd upper honours). He further obtained a master's degree in applied finance from the National University of Singapore in Singapore in August 2001. He has been a Chartered Financial Analyst since September 2001.

Other Management Team

Mr Adrian CHUI

Chief Executive Officer & Executive Director, ESR-REIT

Mr Adrian Chui has been the Chief Executive Officer and Executive Director of ESR Funds Management (S) Limited since March 2017. He has over 18 years of real estate experience in Singapore and ASEAN. Prior to his current position, Mr Chui ran the South East Asia real estate advisory division of Standard Chartered Bank ("SCB"). His overall responsibilities at SCB included structuring, fundamental analysis and approval of acquisition financing for real estate companies/REITs/Business Trusts, valuation and execution advice for mergers and acquisitions, as well as structuring, execution and investment case positioning and strategies of REIT Initial Public Offerings ("IPOs") and follow-on offerings of equity, equity- linked and debt securities across all real estate segments. Before SCB, Mr Chui was the Director of Real Estate, Lodging and Leisure Group at UBS Investment Bank's Singapore office, where he headed a team involved in structuring and listing of Singapore and cross-border REITs/ Business Trusts and property company IPOs for Southeast Asia. His past work experience also includes a stint at Morgan Stanley Asia (Singapore) Securities Pte Ltd, where he was the lead property research analyst responsible for Singapore listed REITs and property companies. He has also held management roles with CapitaCommercial Trust Management Limited and was part of the pioneer management team at Ascendas Funds Management (S) Limited.

Mr Chui holds a Bachelor of Business from Nanyang Technological University in Singapore.

Mr Philip PEARCE

Chief Executive Officer, Australia Platform

Mr Philip Pearce has over 20 years of real estate experience in the Asia Pacific Region, and has been on the Board of ESR Funds Management (S) Limited since April 2017. He has been the Chief Executive Officer of ESR's Australia platform since August 2018. He was formerly with Goodman Group where he was most recently the Managing Director, Greater China as well as a member of the Goodman Group's Board of Directors. Mr Pearce was responsible for the establishment of the Goodman Group's business in China. Previously, he was at AMP Henderson Property Group where he worked in various roles including valuation, asset management and fund management.

Mr Pearce holds a bachelor's degree in land economy from the University of Western Sydney, and a graduate diploma in applied finance from the Australian Securities Institute. He is also a member of the Australian Institute of Company Directors.

Mr Thomas NAM

Chief Executive Officer, South Korea Platform

Mr Sunwoo Thomas Nam is the Chief Executive Officer of Kendall Square Logistics Properties, ESR's South Korea Platform. With over 26 years of experience in the real estate sector, he was the President of Prologis Korea, once the largest logistics asset investment and development platform in South Korea. Previously he founded Kendall Square Investment, a real estate investment management company in Korea with Warburg Pincus. He was also the Head of Overseas Investment at Samsung Life Insurance, and the Director of Investment at Rodamco Asia based in Hong Kong.

Mr Nam holds an MBA from the Kellogg School of Management of Northwestern University / the Hong Kong University of Science and Technology; and a master's degree in real estate development from the Massachusetts Institute of Technology.

Mr Jihun KANG

Chief Investment Officer, South Korea Platform

Mr Jihun Kang is the Chief Investment Officer of Kendall Square Logistics Properties, ESR's South Korea Platform. He has over 18 years of experience in real estate investment, development and fund management. He was formerly Executive Director of Kendall Square Partners, Vice President of Prologis Korea and Director of Business Development at AMB Property Corporation.

Mr Kang holds a master's degree in real estate development from the Massachusetts Institute of Technology, Masters in Architecture from Harvard University and a bachelor's degree in architectural engineering from Yonsei University.

Mr Hideaki MATSUNAMI

Managing Director, Japan Platform

Mr Hideaki Matsunami has over 40 years of real estate experience in Japan. Prior to joining ESR (formerly the Redwood group) in 2011, he was the Senior Vice President in AMB Japan and Prologis Japan between 2000-2011. He also held key positions for Shimizu Corporation, one of the leading construction companies in Japan for 29 years.

A licensed Japanese Broker and licensed first-class Architect, Mr Matsunami was graduated from the Department of Architecture, Faculty of Engineering, The University of Tokyo, and he also holds a master's degree from The University of Tokyo.

Mr Abhijit MALKANI

Country Head, India Platform

Mr Abhijit Malkani joined ESR India as its Country Head in September 2017. He has over 18 years of experience in commercial and industrial real estate operations in North America, Europe, the Middle East and Asia, including 11 years in logistics and industrial real estate in India. Mr Malkani was a member of the founding team and former Managing Director of IndoSpace, which is currently the largest logistics real estate developer in India. He was also formerly the Country Head of Prologis India, where he established Prologis India's operations team.

Mr Malkani obtained a bachelor's degree in commerce from the Delhi University in India.

Mr Jai MIRPURI

Country Head, India Platform

Mr Jai Mirpuri has over 17 years of experience in real estate investment and fund management in Asia, including 12 years of investment and organisation building in The Redwood Group. Mr Mirpuri joined Redwood in 2008, and became Country Head of ESR India in 2017 to establish ESR's platform in India. He previously held positions at Deutsche Bank and Capital One Bank.

Mr Mirpuri holds bachelor's and master's degree in aerospace engineering from IIT Bombay, an MBA from INSEAD and a Capital Markets and Financial Advisory Services Certificate for Funds Management granted by the Institute of Banking and Finance from Singapore.

Ms Wenyi SHOU

Group General Counsel

Ms Wenyi Shou joined our group in February 2012 and is currently the General Counsel of ESR. She is responsible for overseeing legal matters in relation to group debt and equity financing, fund raising and fund management transactions, acquisition and disposition and other significant transactions as well as compliance and general corporate matters. Prior to joining ESR, Ms Shou was previously at King & Wood Mallesons where she represented underwriters and issuers on debt and equity offering, and advised private equity investment and M&A transactions.

Ms Shou graduated from East China University of Political Science and Law.

Mr Bo ZHOU

Chief Operating Officer, China Platform

Mr Bo Zhou joined ESR (formerly e-Shang) as China's Chief Operating Officer in 2013. With over 20 years of experience in the logistics and real estate industries in China, Mr Zhou started his career in Sinotrans Group in 1995 as Company Secretary of Sinotrans Air Transportation Development Company Limited, Managing Director of Exel-Sinotrans Freight Forwarding Company Limited and General Manager of Sinotrans Logistics Limited. He was the Vice President and Head of North Region of Prologis China from 2006 to 2010 and Senior Vice President and Head of Operations of GLP China (formerly Prologis China) from 2010 to 2012.

Mr Zhou holds an MBA from Peking University and a bachelor's degree in Information Management from Beijing Foreign Studies University.

Awards & Accolades

BUSINESS & PERFORMANCE EXCELLENCE

PERE 100 (2019)
- Ranked 21st among the world's leading private equity real estate firms

PERE 50 (2018)
- Ranked 29th among the world's leading private equity real estate firms

2018 PERE Global Awards
- Firm of the Year: Australia (winner)
- Firm of the Year: Japan (second runner up)
- Firm of the Year: India (second runner up)

SUSTAINABILITY

WELL Gold Certification, International WELL Building Institute (2019)
- Bucheon Logistics Park, South Korea

LEED Gold Certification, The U.S. Green Building Council
- Goyang Logistics Park, South Korea (2019)
- Suzhou Baojinyan Logistics Centre Phase I, China (2019)
- Bucheon Logistics Park, South Korea (2018)
- Linping Logistics Centre Phase I, China (2018)
- Yatomi Distribution Centre, Japan (2018)
- Zhejiang Yuhang Park Phase I, China (2018)

2018 British Business Awards, British Chamber of Commerce in Japan
- Social and Environmental Contribution Award (Japan)

GRESB (Global Real Estate Sustainability Benchmark) Developer Assessment, South Korea (2018)
- Ranked first in the following category: Developer, East Asia, non-listed
- Ranked fifth in the following category: Global, developer

CASBEE (Comprehensive Assessment System for Built Environment Efficiency) A
- Ichikawa Distribution Centre, Japan (2019)
- Nagoyaoda Distribution Centre, Japan (2019)
- Noda Distribution Centre, Japan (2019)
- Kuki Distribution Centre, Japan (2018)
- Nanko Distribution Centre II, Japan (2018)
- Yatomi Distribution Centre, Japan (2018)

ABINC (Association for Business Innovation in harmony with Nature and Community) Certification (2018)
- Nanko Distribution Centre II, Japan

Green Building Certificate, Korea Appraisal Board (2018)
- Bucheon Logistics Park, South Korea

Energy Efficiency of Building, Korea Environmental Industry and Technology Institute (2018)
- Bucheon Logistics Park, South Korea

PRODUCT EXCELLENCE

KUKAN Design Award 2019, Japan Design Space Association & Japan Commercial Environmental Design Association
- BEST100 – KLÜBB Lounge (Lounge for workers) East & West and BARNKLÜBB (Children's day-care centres) of Ichikawa Distribution Centre, Japan
- Selected Works – KLÜBB Lounge and BARNKLÜBB of Kuki Distribution Centre, Japan

Barnklübb, Fujiidera, Japan


Klübb lounge, Kuki, Japan

Corporate Structure

Shareholders of ESR

- Founders / Senior Management – 22.6%
- Warburg Pincus – 18.7%
- SK Holdings Co., Ltd. – 11.1%
- Jingdong Logistics Group Corporation – 7.7%
- APG-Stichting – 7.0%
- Public Shareholders – 28.1%
- Other Shareholders – 4.8%

ESR

Subsidiaries

- 95.5%[1] ESR Pte. Ltd *(Singapore)*
  - 100% ESR Property Management (S) Pte. Ltd. *(Singapore)*
  - 67.3%[3] ESR Funds Management (S) Limited *(Singapore)*
  - 96.5%[8, 11] Propertylink Trust *(Australia)*
  - 96.5%[8, 10] Propertylink Australian Industrial Partnership *(Australia)*
  - 96.5%[2] CIP *(Australia)*
  - 96.5%[8] ESR Asset Management (Holdings) Limited *(Australia)*
- 100% e-Shang Infinity Cayman Limited *(Cayman Islands)*
- 100% ESR Singapore Pte. Ltd *(Singapore)*
  - 100% ESR Ltd *(Japan)*
- 100% Summit (BVI) Limited *(BVI)*
  - 100% Kendall Square Logistics Properties, Inc. *(Korea)*
    - 100% Kendall Square Asset Management, Inc. *(Korea)*
  - 74%[9] Shanghai Yurun Meat Food Co., Ltd. *(China)*
- 95.09%[4] Sunwood Singapore Holding Pte. Ltd. *(Singapore)*
- 100% Shanghai e-Shang Warehousing Services Co., Ltd. *(China)*
- 100% Dongguan Huishang E-commerce Services Co., Ltd. *(China)*
- 100% Redwood Asian Investments Ltd *(Cayman Islands)*
  - 65%[5] Guangzhou Mingyue Warehousing Co., Ltd. *(China)*
  - 70%[6] RW Higashi Ogishima TMK *(Japan)*
  - 100% ESR Sachiura 3 TMK *(Japan)*
  - 100% ESR Sachiura 4 TMK *(Japan)*
- 100% Dongguan Hongshang Warehousing Services Co., Ltd. *(China)*
- 100% Langfang Weidu International Logistics Co., Ltd. *(China)*
- 100% Jiangsu Friend Warehousing Co., Ltd. *(China)*
- 100% Shenyang Yibei Warehousing Service Co., Ltd. *(China)*
- 90%[7] Tianjin Fanxin Warehousing Service Co., Ltd. *(China)*
- 100% Tianjin Fanbin Warehousing Service Co., Ltd. *(China)*
- 100% ESR HK Management Limited *(Cayman Islands)*
- 100% Lekun Warehousing (Wuxi) Co., Ltd. *(China)*

— Direct ownership
••• Indirect ownership

Notes:

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

(2) CIP is wholly owned by ESR Developments (Australia) Pty Ltd, which in turn is wholly owned by ESR Australia, which in turn is held as to approximately 99.99% equity interest by ESR Australia Holding Company Pte. Ltd and as to approximately 0.01% equity interest by Mr. Philip Pearce, a director of ESR Pte. Ltd. (one of our Major Subsidiaries) and other subsidiaries in our Group. ESR Australia Holding Company Pte. Ltd is held as to 96.5% equity interest by ESR Pte Ltd, another Major Subsidiary. The remaining 3.5% equity interest in ESR Australia Holding Company Pte. Ltd is held by Skunsh Pty Ltd, as trustee for the McKenna Investment Trust, as to 2.6% and Maxmont Pty Ltd, as trustee for thc Lynch-Grant Investment Trust, as to 0.9%, the ultimate beneficial owner of each of these entities are either current or former directors of certain subsidiaries of our Group.

(3) The remaining 32.7% equity interest in ESR Funds Management (S) Limited is held by Mitsui & Co Ltd, an independent third party to our Group, as to 7.7%, save for its interest in ESR Funds Management (S) Limited and Shanghai Summit Pte Ltd as to 25.0%.

(4) The remaining 4.9% equity interest in Sunwood Singapore Holding Pte. Ltd. is held by Mr. Thomas Nam as to 2.9%, CEO of ESR Korea, and by Mr. Jihun Kang as to 2.0%, CIO of ESR Korea.

(5) Guangzhou Mingyue Warehousing Co., Ltd (廣州市铭粤倉儲有限公司) is held as to 100.0% equity interest by Mingyue Logistics Pte Ltd, an indirect subsidiary of our Company, which in turn is held as to 65.0% equity interest by Redwood Phoenix China Investment Fund Pte Ltd, an indirect subsidiary of our Company. The remaining 35.0% equity interest in Mingyue Logistics Pte Ltd is held by RCLF Guangzhou 1 Pte. Ltd., which is wholly owned by Redwood China Logistics Fund Limited Partnership, which is managed by our Group. Redwood Phoenix China Investment Fund Pte Ltd is wholly owned by Redwood Asian Investments, Ltd, a Major Subsidiary.

(6) RW Higashi Ogishima TMK is owned as to 50.01% economic interest by RW Higashi Ogishima GK, an indirect Subsidiary of our Company wholly owned by HGS Japan Pte. Ltd., an indirect subsidiary of our Company wholly owned by RW Higashi Pte. Ltd., an indirect subsidiary of our Company ("**Higashi Pte**"). The remaining 49.99% economic interest equity interest in RW Higashi Ogishima TMK is held by RW Higashi SPE 1 Pte. Ltd, an indirect subsidiary of our Company wholly owned by Higashi Pte. Higashi Pte is owned as to 70.0% equity interest by Redwood Investor (Higashi) Ltd, a wholly owned subsidiary of Redwood Asian Investments Ltd, a Major Subsidiary. The remaining 30.0% equity interest in Higashi Pte is held by Redwood Japan Logistics Fund II Limited Partnership, a Japan development fund which is managed by our Group.

(7) Tianjin Fanxin Warehousing Service Co., Ltd. (天津凡信倉儲服務有限公司) is wholly owned by ABM Capital Limited (incorporated under the laws of Hong Kong), an indirect subsidiary of our Company, which in turn is wholly owned by ABM Capital Limited (incorporated under the laws of the BVI) ("**ABM BVI**"), an indirect subsidiary of our Company, which in turn is held as to 90.0% equity interest by Delte Offshore Holdings (BVI) Limited, a wholly owned subsidiary of our Company. The remaining 10.0% equity interest in ABM BVI is held by Ambition Mind Holdings Limited, an independent third party to our Group, save for its interest in ABM BVI.

(8) The acquisition of Propertylink was completed on April 24, 2019. Propertylink is wholly-owned by ESR Australia, which in turn is held as to approximately 99.99% equity interest by ESR Australia Holding Company Pte Ltd and as to approximately 0.01% equity interest by Mr. Philip Pearce, a director of ESR Pte. Ltd. (one of our Major Subsidiaries) and other subsidiaries in our Group. ESR Australia Holding Company Pte Ltd is held as to 96.5% equity interest by ESR Pte Ltd, another Major Subsidiary. The remaining 3.3% equity interest in ESR Australia Holding Company Pte. Ltd is held by Skunsh Pty Ltd, as trustee for the McKenna Investment Trust, as to 2.6% and Maxmont Pty Ltd, as trustee for the Lynch-Grant Investment Trust, as to 0.9%, the ultimate beneficial owner of each of these entities is a director of certain subsidiaries of our Group.

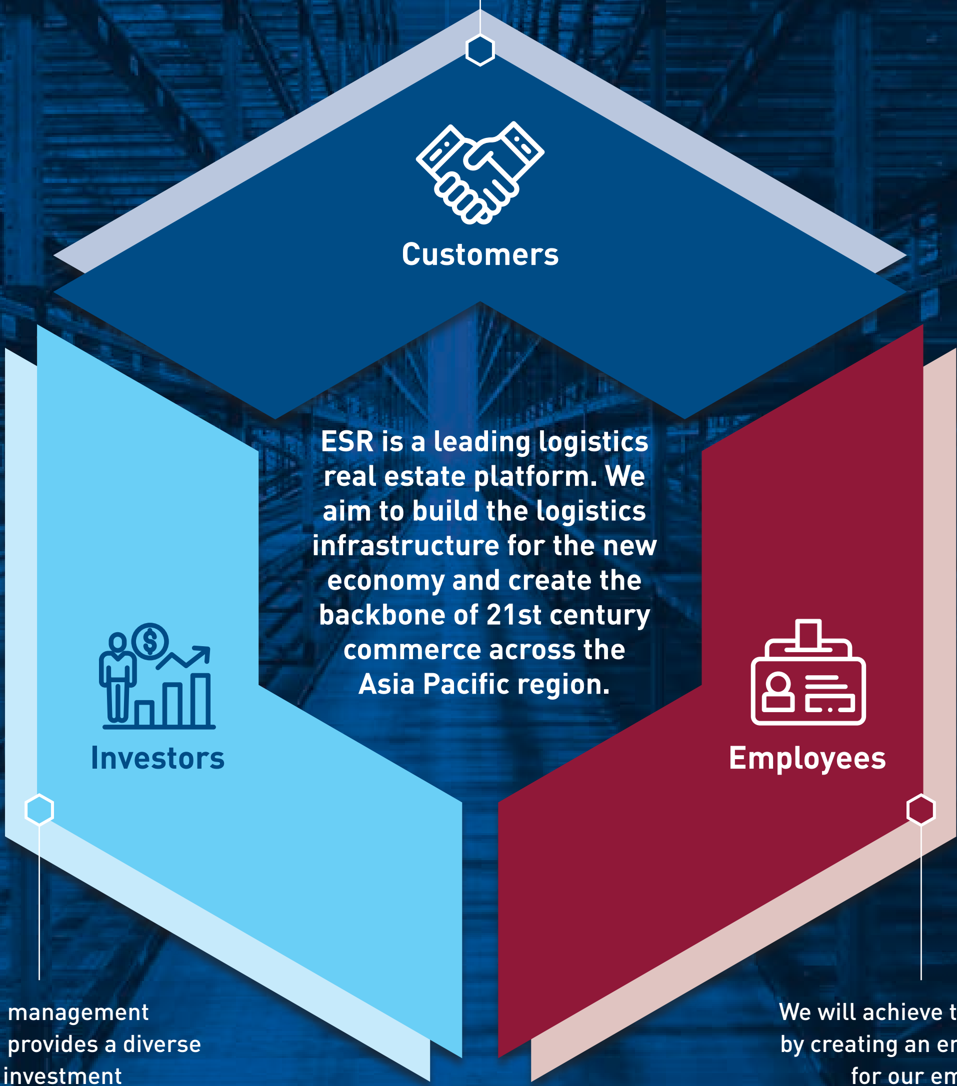
(9) The remaining 26% equity interest in Shanghai Yurun Meat Food Co., Ltd is held by Jiaxing Yishang Equity Investment Partnership (Limited Partnership), which is controlled by a fund managed by us.

(10) PAIP is wholly-owned by ESR ALF Qld Trust, which in turn is wholly owned by ESR Queensland Hold Trust, which in turn is wholly owned by ESR Australia Logistics Fund, which in turn is wholly owned by ESR Co-Invest Trust, which in turn is wholly owned by ESRT No 2, which in turn is wholly owned by ESRT, which in turn is held as to approximately 99.99% equity interest by ESR Hold Trust and as to approximately 0.01% equity interest by Mr. Philip Pearce, a director of ESR Pte. Ltd (one of our Major Subsidiaries) and other subsidiaries in our Group. ESR Hold Trust is held as to 99.90% equity interest by ESR Australia Holding Trust, which in turn is wholly-owned by ESR Australia Holding Company Pte Ltd, which in turn is held as to 96.5% equity interest by ESR Pte Ltd, another Major Subsidiary. The remaining 3.5% equity interest in ESR Australia Holding Company Pte. Ltd is held by Skunsh Pty Ltd, as trustee for the McKenna Investment Trust, as to 2.6% and Maxmont Pty Ltd, as trustee for the Lynch-Grant Investment Trust, as to 0.9%, the ultimate beneficial owner of each of these entities is a director of certain subsidiaries of our Group. The remaining approximately 0.1% equity interest in ESR Hold Trust is held by ESR Australia Holding Company Pte. Ltd directly.

(11) Propertylink Trust is wholly owned by ESR Co-Invest Trust, which in turn is wholly owned by ESRT No 2, which in turn is wholly owned by ESRT, which in turn is held as to approximately 99.99% equity interest by ESR Hold Trust and as to approximately 0.01% equity interest by Mr. Philip Pearce, a director of ESR Pte. Ltd (one of our Major Subsidiaries) and other subsidiaries in our Group. ESR Hold Trust is held as to approximately 99.90% equity interest by ESR Australia Holding Trust, which in turn is wholly-owned by ESR Australia Holding Company Pte Ltd, which in turn is held as to 96.5% equity interest by ESR Pte Ltd, another Major Subsidiary. The remaining 3.5% equity interest in ESR Australia Holding Company Pte. Ltd is held by Skunsh Pty Ltd, as trustee for the McKenna Investment Trust, as to 2.6% and Maxmont Pty Ltd, as trustee fear the Lynch-Grant Investment Trust, as to 0.9%, the ultimate beneficial owner of each of these entities is a director of certain subsidiaries of our Group. The remaining approximately 0.1% equity interest in ESR Hold Trust is held by ESR Australia Holding Company Pte. Ltd directly.

Our Purpose

Our ever-expanding network of superior logistics facilities supports local, regional and international businesses as they grow and thrive in Asia Pacific. Our strategic vision and industry insights lead to best-in-class integrated solutions, keeping us and our customers at the forefront of the dynamic logistics real estate market.



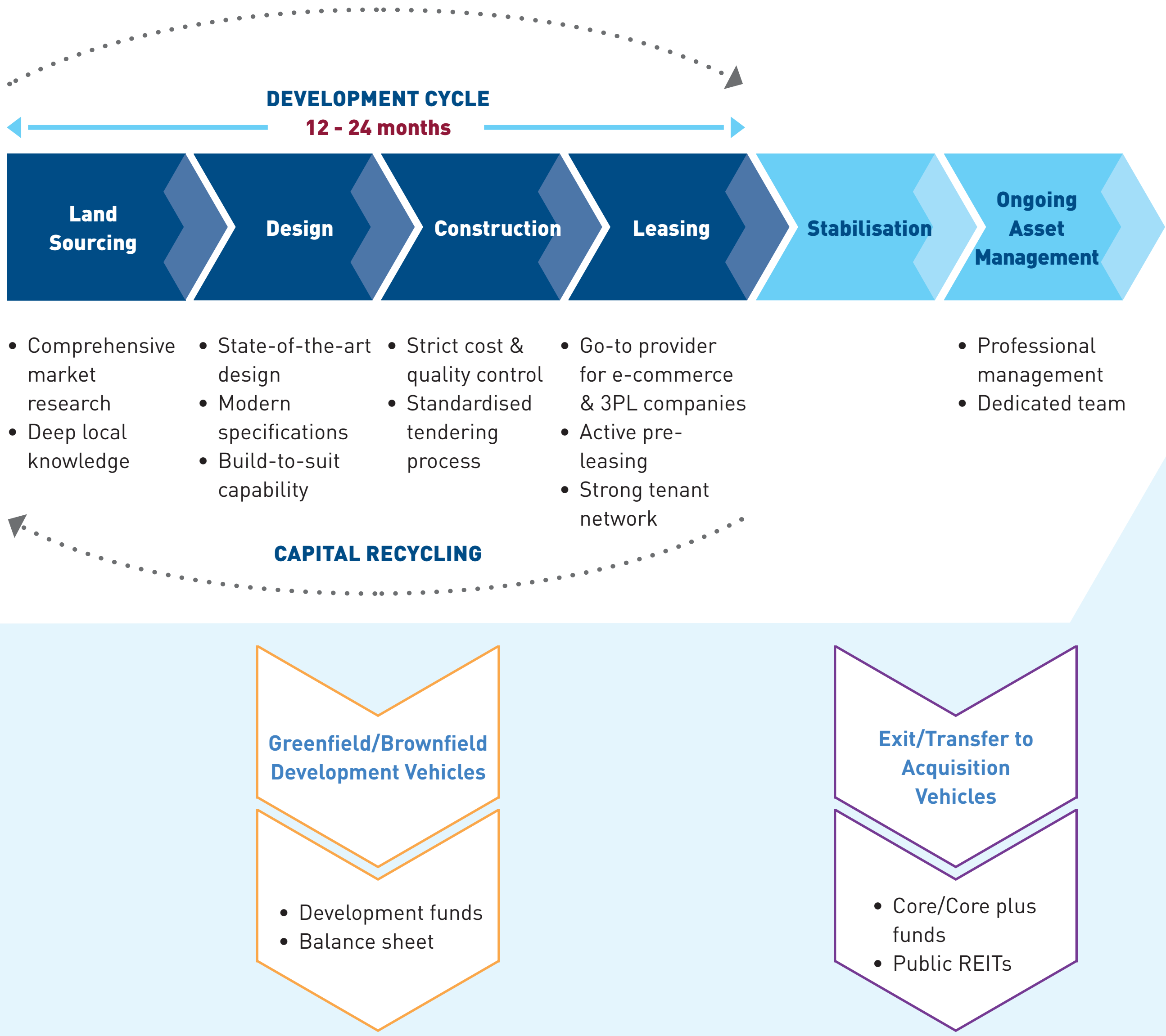
ESR is a leading logistics real estate platform. We aim to build the logistics infrastructure for the new economy and create the backbone of 21st century commerce across the Asia Pacific region.

Our fund management platform provides a diverse range of investment opportunities and focuses solely on the Asia Pacific market. We provide investors with exposure to the most dynamic sector in the world's fastest growing markets, generating sustainable returns over the long term.

We will achieve these goals by creating an environment for our employees to learn, grow and develop on both personal and professional levels – enabling them to take leadership in our business, the wider industry, and the communities where we live and work.

Our Distinctive Business Model

Our fully integrated business model is designed to deliver long term value for all our stakeholders, using a capital efficient strategy to source and recycle capital, enabling recurring fees generation throughout the value chain.



Key Trends to Support Our Growth Strategies

GLOBAL TRENDS

Asia Pacific Logistics – Largest Secular Growth Opportunity In Asia

Continued Rise of E-commerce Across Asia

Paradigm Shift In Capital Flows For The Region & Sector

Risk-Reward Continue To Transform Capital Values

OUR COMPETITIVE STRENGTHS

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

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

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

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

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

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

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

Milestones

With a dedicated focus on Asia Pacific, ESR has emerged as the leading Pan-Asian logistics real estate platform by partnering and investing with best-in-class local teams across the region.

Executive Directors, Co-founders and Co-CEOs, Mr Jinchu Shen (left) and Mr Stuart Gibson (right), officiate at the gong ceremony, marking ESR's listing on the Main Board of The Stock Exchange of Hong Kong Limited.

FORMATION OF ESR

2006

- Mr Charles Alexander Portes and Mr Stuart Gibson founded the Redwood group to invest in modern logistics facilities in Asia

2011

- Warburg Pincus OCIM co-founded e-Shang with Mr Jinchu Shen

2012

- The Redwood group formed its first China logistics development fund, Redwood China Logistics Fund (RCLF)

ESR'S STRATEGIC GROWTH AND CAPITALISATION STAGE

2013

- The Redwood group raised its first US$200 million Japan logistics development fund (RJLF I)
- e-Shang secured US$120 million from Goldman Sachs to further grow the platform

2014

- e-Shang formed E-Shang Star, a China logistics development fund
- e-Shang expanded into South Korea with over 1 million sqm of development pipeline

2015

- e-Shang formed Sunwood Star, a Korea logistics development fund

ESR Ichikawa Distribution Centre, Japan

AUM

2016	2017	2018	2019
US$ 7.4 billion	US$ 12.0 billion	US$ 16.0 billion	US$ 22.1 billion

ESR'S EXPLOSIVE GROWTH STAGE

2016

- e-Shang and the Redwood group merged to form ESR with investments by leading Chinese financial institutions
- Launched our first post-merger logistics development fund in Japan, Redwood Japan Logistics Fund II (RJLF II)

2017

- Established the first China core fund, China Invesco Core Fund, focusing on investing in mature income-yielding logistics properties, and made a disposal of c. US$300 million of assets to the fund
- Expanded into the Singapore market and obtained control of the ESR-REIT Manager
- Launched the India platform with best-in-class management team
- Expanded into Australia via investments in Centuria (a listed property funds manager on Australia Securities Exchange (ASX) and Propertylink (an industrial and office investment group listed on ASX)
- Secured a US$333 million strategic equity investment from South Korea's SK Holdings
- Secured a US$140 million equity investment by a client of State Street Global Advisors and various Stepstone funds

2018

- Made a strategic investment in CNLP, the third largest logistics real estate player in China, which is listed on the Hong Kong Stock Exchange (SEHK)
- Co-investment with the Canada Pension Plan Investment Board in a new US$500 million South Korea Core Fund
- Acquired the entire equity interest in Commercial and Industrial Property (CIP), a leading property development group in Australia
- ESR-REIT completed the merger with Viva Industrial Trust, the first merger of REITs listed on the Singapore Stock Exchange
- Established first Core Fund in Japan in a new core joint venture with AXA Investment Managers-Real Assets and a major sovereign wealth fund
- Established a US$330 million second Core Fund (NCI Core Fund) in China with New China Life Insurance
- Formed a c. US$1 billion development joint venture (inclusive of debt) with Allianz Real Estate, with the initial capital commitment of US$229 million for the India Fund
- Secured pre-IPO investments of US$306 million from JD.com and US$40 million from CITIC Securities One-Belt One-Road ("CSOBOR") Fund, a private equity investment fund of CLSA

2019

- Completed acquisition of 100% of the securities of Propertylink and Propertylink was subsequently delisted
- Established the Japan Logistics Fund III (RJLF III) of c. US$1.8 billion investment capacity
- Took control of the manager of Sabana REIT, an industrial REIT listed on the Singapore Exchange
- Disposal of seven balance sheet properties to NCI Core Fund
- Listed on the main board of SEHK on 1 November (Stock Code: 1821)
- Expanded development pipeline with the purchase of a prime 21 hectare development site in New South Wales, which will be developed into ESR Horsley Logistics Park
- Established a new US$240 million Australia mandate, ESR Australia Logistics Trust
- Established a new US$94 million core-plus mandate in Australia

Operations Review
At a Glance

Tianjin Fanbin Logistics Centre, Tianjin, China

THE LEADING PROVIDER OF MODERN LOGISTICS FACILITIES IN ASIA PACIFIC

We are the largest Asia Pacific focused logistics real estate platform by GFA and by value of the Portfolio Assets and have the largest development pipeline in aggregate across the major Asia Pacific markets as measured by GFA[1].

We use in-house capabilities to source, design, construct, lease and manage modern logistics facilities primarily in Tier 1 and Tier 1.5 cities in China, Japan, South Korea, Singapore, Australia and India.

POSITIONED TO TAKE ADVANTAGE OF THE GROWING CONSUMER POWER OF THE ASIA PACIFIC REGION

Our business focuses solely on the Asia Pacific region, which comprises over 3.6 billion people and over US$28.6 trillion of GDP in 2018[2]. The continuing uptrend of online consumption is a key driver to our business and as online distribution channels continue to grow, and so does the need for modern logistics space.

HIGH QUALITY AND GEOGRAPHICALLY DIVERSIFIED PORTFOLIO

ESR has over 17.2 million sqm GFA in operation and under development[3], and a further c. 6.0 million sqm GFA of development pipeline with MOUs[4] signed across our portfolio with a high quality tenant base. In China, we are the #1 e-commerce landlord[5], #1 in development pipeline[6] and overall #2 player[7], In South Korea, we remain the largest owner of logistics properties with the largest development pipeline in the Seoul Metropolitan Area[8]. We have a significant presence and the largest development pipeline in Greater Tokyo and Greater Osaka[8]. In Singapore, we have been a sector consolidator, executing REIT acquisitions and mergers and are now the largest industrial REIT outside of Temasek linked entities. In Australia, following the privatisation of Propertylink Group, we have further integrated it into our leading industrial property development

FY2019
‹ KEY HIGHLIGHTS ›

Total AUM rose 38.7% to US$22.1 billion

High portfolio occupancy of 93%[9]

Healthy rental reversion of 5% on renewed leases[9]

Strong leasing momentum with 2 million sqm leased across portfolio

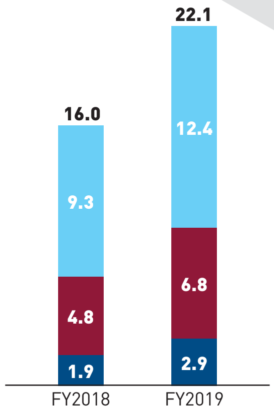
US$ 22.1 billion[10]
Assets under management

17.2 million sqm
GFA in operation and under development[3]

6.0 million sqm
GFA of development pipeline with MOUs[4]

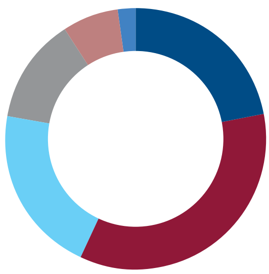
Notes:
1 Based on GFA from 1 July 2019 to 31 December 2019.
2 Source: Oxford Economics, August 2019.
3 Consisting of approximately 9.2 million sqm of GFA of completed properties, approximately 4.7 million sqm of GFA of properties under construction and approximately 3.3 million sqm of GFA to be built on land held for future development as at 31 December 2019.
4 MOUs as at 31 January 2020.
5 In terms of proportion of total area occupied in China in comparison to only as at September 2017 when GLP was privatised.
6 In Greater Shanghai, Greater Beijing and Great Guangzhou from 2020 to 2021.
7 As of 4Q 2019, Greater Shanghai, Greater Beijing and Great Guangzhou as measured by GFA.
8 From 2019 to 2020 as measured by GFA.
9 Based on stabilised assets on balance sheet.
10 As at 31 December 2019.

Assets Under Management (US$ billion)
As at 31 December 2019



- Balance Sheet
- Core Funds
- Development Funds

Assets Under Management
As at 31 December 2019



China	21%
Japan	36%
South Korea	21%
Singapore	13%
Australia	7%
India	2%

and funds management platform, poised for next level of growth. In India, we have a joint venture with Allianz for the development of logistics and industrial facilities which holds approximately US$500 million in assets under management as at 31 December 2019. In each country we have consistently followed the approach to partner with the best-in-class local management teams and have brought our blue chip investors and tenants network along with us on this journey.

For FY2019, we recorded a strong growth of 38.7% in assets under management (AUM) to US$22.1 billion as at 31 December 2019, underpinned by strong valuation gains, development completions and acquisitions across the platform, as well as the opening of new funds. With our growing and extensive reach across Asia Pacific, we are well-positioned to support our tenants in their regional expansion plans.

In FY2019, we continued to see strong leasing demand with 2.0 million sqm of space leased across our portfolio, representing approximately 12% of the portfolio GFA.

OUR THREE PILLARS OF BUSINESS

ESR uses capital in order to acquire land and finance the development of logistics properties. The capital comes either from our balance sheet or the funds and investment vehicles that we manage alongside our institutional capital partners. Ultimately, when the properties are built and stabilised, the assets are sold (often to other institutional capital partners so that we can retain the management and tenant relationship) and we recycle the capital for new projects. Based on our products and services, we have three reportable operating segments: development, fund management and investments.

Key Drivers of Our Three Pillars of Business

	Investment	Fund Management	Development
INCOME	**Completed properties on balance sheet (B/S)** Rental income + revaluation gains on non-development properties **Fund co-investments** Pro rate earnings Listed securities Dividend income Solar energy income	Base / Asset management fees Development fees Acquisition fees Leasing fees Promote fees	**B/S development profits** Revaluation gains on properties under construction + disposal gain on sale **Funds' development profile** Construction income
EXPENSES	Direct costs for rental and solar energy income Allocated administrative expense	Allocated administrative expenses	Construction costs Allocated administrative expenses
KEY DRIVERS	√ Rental growth and high occupancy √ Cap rate compression √ High dividend payout from listed securities	√ Strong fund AUM growth √ Significant development pipelines in funds √ Promote fee opportunity	√ Significant development pipelines (B/S, funds) √ Track record of strong development profit margins √ Asset recycling from B/S or development funds into core funds / REITs

Operations Review
Investment Segment

Our investment segment is divided into three main categories: (i) completed properties that we hold on our balance sheet, from which we derive total return, including rental income and appreciation in value; (ii) our co-investments in the funds and investment vehicles and the REITs we manage, from which we derive dividend income, pro rata earnings and/or pro rata value appreciation; and (iii) other investments, including our minority equity stakes in other companies.

We use our strong balance sheet to acquire and own assets that have attractive risk-reward profiles and capture opportunities which may not fit the current investment criteria of our funds, and which may be used to seed future funds that we may establish. We are able to develop properties without the need to source equity for every individual project and can warehouse properties on our balance sheet if needed. This provides attractive visibility to prospective capital partners and is an important advantage of our platform, which facilitates faster fundraising and enables us to realize development profits. Additionally, our investments in properties through our co-investments in the funds and investment vehicles we manage allow us to align our interests with those of our capital partners.

Balance Sheet Properties

The total AUM for the investment properties held on our balance sheet was US$2.9 billion, accounting for approximately 13% of total AUM of across the portfolio as at 31 December 2019.

Refer to "Property Portfolio" on pages 57 to 59 for information on the assets.

DIVERSIFIED TENANT BASE AND FOCUS ON

FY2019
KEY HIGHLIGHTS

E-commerce and 3PLs comprise 60% of portfolio leased area

Healthy weighted average lease expiry of 4.2 years

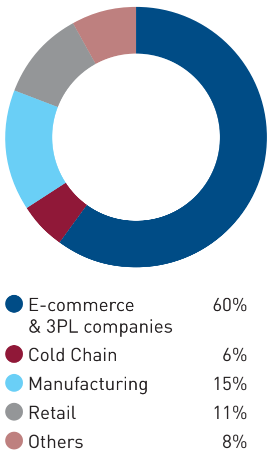
Jiangsu Friend – III Logistics Park, Kunshan, China

E-COMMERCE COMPANIES

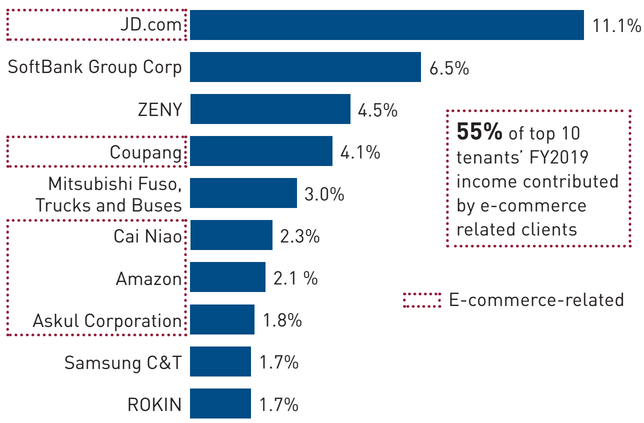
We lease the logistics facilities owned directly by us or by the funds that we manage to a broad range of large and mid-sized, multinational and domestic tenants including e-commerce companies, 3PL providers, brick-and-mortar retailers, manufacturers, cold-chain logistics providers and others. The majority of tenants in our portfolio service domestic consumption in Asia Pacific as logistics infrastructure continues to evolve for the modern economy.

Collectively, our top 10 tenants accounted for approximately 39% of the FY2019 income[11] and 41% of rental space[11]. Amongst our top 10 tenants, 55% of the income are contributed by e-commerce related companies.

Portfolio End-User Industry by Income[11]
FY2019



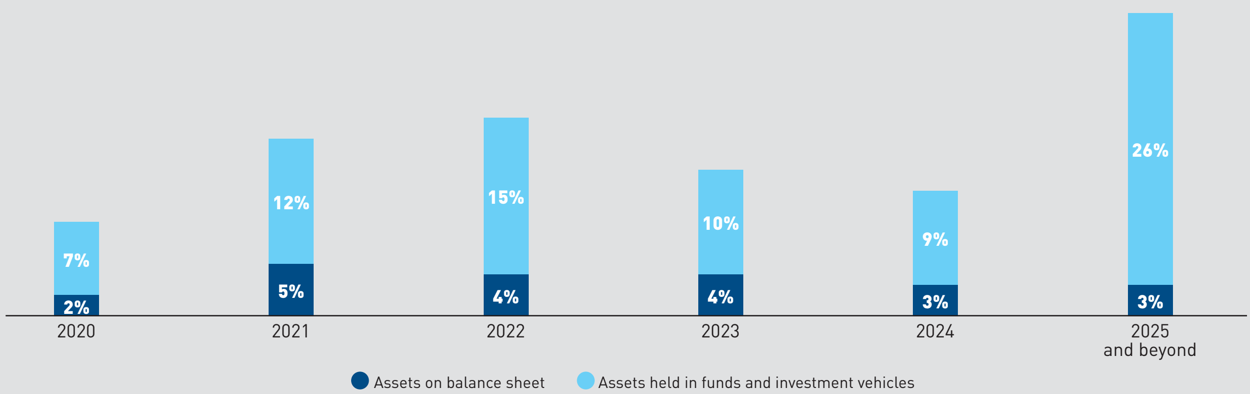
Portfolio Top 10 Tenants by Income[11]
FY2019



WELL-SPREAD LEASE EXPIRY PROFILE

Our portfolio enjoys stability from its a well-spread lease profile, with a weighted average lease expiry ("WALE") of about 4.2 years by leased area and 4.0 years by income as at 31 December 2019. With healthy occupancies across our portfolio, we will continue to focus on maintaining steady occupancies.

Lease Expiry Profile by Leased Area
As at 31 December 2019



	Assets on Balance Sheet	Assets held in funds and investment vehicles	Portfolio
WALE (by leased area)	3.2 years	4.5 years	4.2 years
WALE (by income)	3.2 years	4.3 years	4.0 years

11 Based on stabilised assets on balance sheet and in funds and investment vehicles.

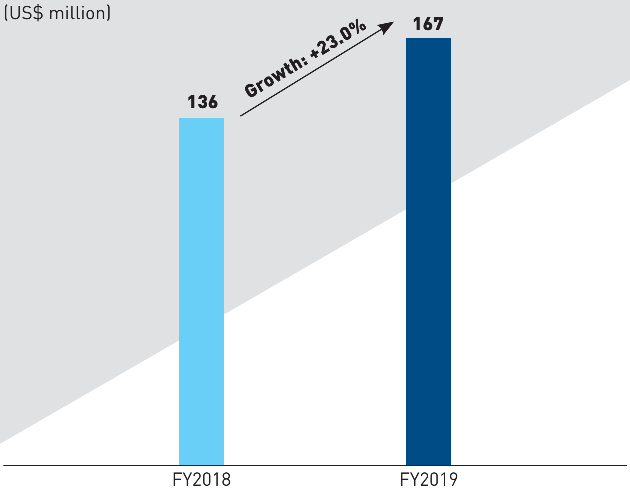
Operations Review
Fund Management Segment

We earn fee income from managing the underlying assets on behalf of our capital partners through the funds and investment vehicles we manage. Our fees include base management fees, asset management fees, acquisition fees, development fees and leasing fees. We also participate in a share of profits through promote upon exceeding a pre-determined target internal rate of return and after we have returned our investors' initial capital investment. The funds and investment vehicles we manage vary in risk profiles from private opportunistic development strategies to private core/core-plus income producing strategies and publicly listed REITs.

Our management platform offers a variety of products across the spectrum of both risk and liquidity in order to attract broad sections of the global investor universe, gives us the ability to manage the underlying assets across the development cycle and provides us with an efficient platform for recycling our own capital through the disposal of properties held on our balance sheet to the funds and other investment vehicles we manage or to third parties.

Through our fund management platform, as at 31 December 2019, we manage 30 private third-party investment vehicles across Asia Pacific and two publicly listed REITs in Singapore. Our Fund AUM increased by 36.2% from US$14.1 billion as at 31 December 2018 to US$19.2 billion as at 31 December 2019, while the total equity commitment in the funds and investment vehicles we managed was US$6.5 billion, of which US$4.7 billion was invested, with a further US$1.8 billion of uncalled capital to be deployed.

Fund Fee Income
(US$ million)



CASE STUDY

The largest capital raised during FY2019 was for the third vehicle which funds our development strategy in Japan, Redwood Japan Logistics Fund III (RJLF III), with JPY70 billion (US$686 million) of initial capital raised from two large institutional investors. The investors have the option to expand the commitment over time, bringing the total investment capacity of the fund to JPY530 billion.

The fund targets to develop large scale logistics facilities in Tokyo, Osaka and Nagoya, building on the successful track record of RJLF I and RJLF II. The fund acquired a large parcel of land (part of Sachiura project) in Tokyo Bay together with other investors, aiming to develop a US$1 billion warehouse facility. Once completed, the project will be one of the largest master-planned logistics parks in Japan.

Nanko Distribution Centre, Osaka, Japan

FY2019

‹ KEY HIGHLIGHTS ›

- Fund AUM increased by 36% to US$19.2 billion
- 23% growth in fund management fee to US$167 million
- Total equity commitment of US$6.5 billion
- US$1.8 billion of uncalled capital to be deployed

Operations Review
Development Segment

We have established efficient, high-quality and scalable capabilities for greenfield and brownfield developments in each country where we operate. Our extensive in-house expertise include selection and acquisition of sites to the design, construction and leasing of modern logistics facilities. These facilities are characterised by:

- **Optimal space utilisation:** Large floor plates, high ceilings and wide column spacing.
- **High operating efficiency:** Spacious loading and parking areas equipped with modern loading docks.
- **Storage safety:** Security and surveillance features, proper ventilation and basic fire-fighting features such as sprinkler systems.
- **Flexibility to provide customised features:** Office space, air-conditioning and refrigeration/ freezing.

We capitalise these development projects through our funds and investment vehicles that we manage and/or through our balance sheet. We earn development fees from our partners when we use capital from Funds Management (attributed to the Funds Management segment), and we earn development profit upon sale of completed properties when we use our balance sheet. We also derive pro rata earnings and pro rata value appreciation through the development activities of the development funds and investment vehicles we manage in proportion to our co-investments in those funds and investment vehicles. All of our development related capital gains are attributed to our Development segment.

FY2019
‹ KEY HIGHLIGHTS ›

- New development starts of US$2.0 billion
- Development completions of US$1.9 billion
- Landbank of over 3 million sqm across portfolio
- Total gross divestment value of US$490.7 million of assets recycled from the balance sheet

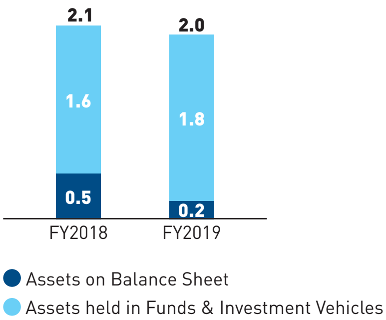
ESR adopts an asset-light business model as we continue to pursue development of projects under the funds and investment vehicles under our management.

In FY2019, the total estimated investment value of new development starts totalled US$2.0 billion, representing 2.0 million sqm across our portfolio, and primarily in China, Japan and South Korea.

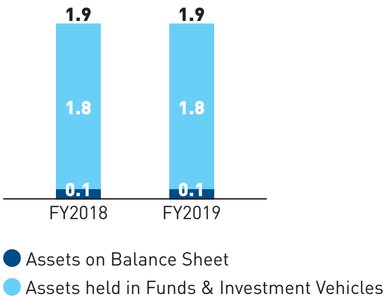
The total investment value of our development completions in FY2019 was US$1.9 billion, representing 1.0 million sqm across our portfolio, and were largely in China, South Korea and Japan.

We have also assembled a robust development pipeline of 14.1 million sqm including a strong landbank of more than 3 million sqm to expand our portfolio moving forward, and leverage on the strong customer demand for logistics facilities.

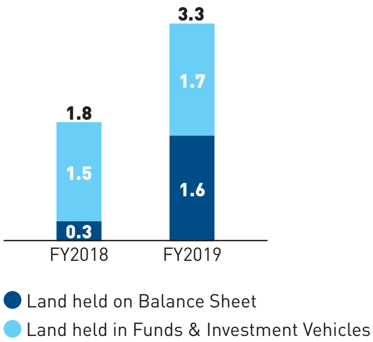
Development Starts
Estimated Investment Value (US$ billion)



Development Completions
Estimated Investment Value (US$ billion)



Land Bank
GFA (million sqm)



Ichikawa Distribution Centre, Chiba, Japan

Development Pipeline
(million sqm)

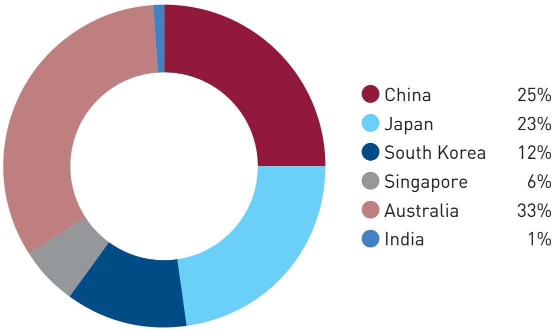
	(mil sqm)	MOU	Under Development	Land
China	**6.2**	3.3	1.9	1.0
Japan	**2.3**	0.4	1.5	0.4
South Korea	**3.2**	1.8	0.8	0.6
Australia	**0.4**	0.01	0.03	0.4
India	**1.9**	0.5	0.5	0.9
Total	**14.1**	**6.0**	**4.7**	**3.3**

Financial Review

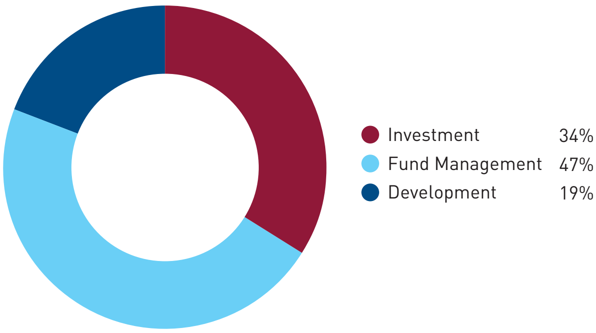
REVENUE

The Group's revenue for FY2019 grew by 40.6% to US$357.4 million. This is driven by strong contributions from each of its segments.

FY2019 Revenue by country



FY2019 Revenue by Segment



Rental income increased by 58.8% from US$74.3 million in FY2018 to US$118.0 million in FY2019 mainly driven by consolidation of Propertylink from March 2019, and full year rental income contribution from RW Higashi-Ogishima DC property that was acquired in second of half 2018.

Management fee income increased by 23.0% from US$135.6 million in FY2018 to US$166.7 million in FY2019 mainly attributed to contributions from the Group's strong recurring fund management fee income base through establishment of new funds such as South Korea Core Fund, Japan Core Fund, RJLF III and India Fund; as well as consolidation of Propertylink.

Construction income increased by 71.8% from US$40.7 million in FY2018 to US$69.9 million in FY2019 on account of the full year effect of construction revenue generated by CIP that was acquired in August 2018.

Geographically, the Group's revenue contributions from Australia market increased significantly as a result of acquisitions of Propertylink and CIP. In FY2019, Australia revenue accounted for 32.8% of the Group's revenue compared to 16.2% in FY2018. China, Japan and South Korea markets accounted for 60.5% in aggregate to the Group's FY2019 revenue. These markets collectively made up of 93.3% of the Group's revenue.

PATMI AND EBITDA[1]

The Group delivered stellar growth in FY2019, registering a PATMI of US$245.2 million and EBITDA of US$549.1 million. PATMI and EBITDA increased by 20.8% and 42.9% respectively year-on-year driven by strong performance of each of its investment, fund management and development segments that form the three key pillars of the Group's sustainable growth model.

The Group recorded fair value gains on investment properties of US$226.1 million in FY2019 (2018: US$172.5 million). The increase primarily attributable to gains on investment properties under construction from our portfolio in China such as Qingpu Yurun; as well as Japan portfolio from Sachiura properties and RW Higashi-Ogishima DC. Newly acquired properties in FY2019 also contributed to the increase.

Furthermore, the Group recognised higher fair value gain on its investments in joint ventures by US$28.0 million and its investment funds by US$29.4 million respectively. These are largely driven by new funds set up, as well as consolidation of Propertylink.

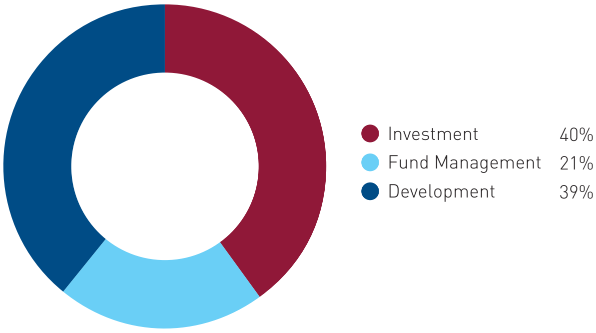
The above increases were offset by higher operating expenses and finance costs. Operating expenses increased by 28.4% primarily due to higher staff and business costs such as professional fees supporting business expansions. One-off professional fees incurred related to legal advisory, due diligence fees and valuation fees associated with our listing on SEHK, setting up new funds, financing activities and M&A activities.

During the year, the Group diversified its funding sources with the successful issuance of S$350 million fixed rates notes bearing interest 6.75% per annum in February 2019 ("S$350 million fixed rates notes") and US$425 million fixed rates notes bearing interest 7.875% per annum in April 2019 ("US$425 million fixed rates notes") under the Group's US$2 billion Multicurrency Debt Issuance Programme; as well as new corporate loans, which contributed to increase in finance costs.

Note:
1 EBITDA is calculated as profit before tax, adding back depreciation and amortisation and finance costs (net). EBITDA is a non-IFRS measure and is presented because the Group believes it is an useful measure to determine the Group's financial condition and historical ability to provide investment returns. EBITDA 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 or any other measure of performance derived in accordance with IFRS. Because EBITDA is not an IFRS measure, it may not be comparable to similarly titled measures presented by other companies. Refer to non-IFRS measures reconciliation in page 240.

SEGMENT RESULTS

FY2019 Segmental Results (EBITDA)



Investment segment results increased by 9.6% from US$233.6 million in FY2018 to US$256.1 million in FY2019. This was primarily due to rental income from consolidation of Propertylink and full year rental income from RW Higashi-Ogishima DC property that was acquired in second half of 2018. The Group also recognised higher fair value gain by US$22.3 million from its investment in funds and dividend income by US$8.1 million.

Our fund management segment results also recorded an increase of 20.3% from US$109.6 million in FY2018 to US$131.8 million in FY2019. The increase was driven by strong recurring income base from funds under management such as South Korea Core Fund, Japan Core Fund and RJLF III; and consolidation of Propertylink. In FY2019, the Group recognised promote income of US$23.5 million.

The development segment result increased by more than 100% from US$115.5 million in FY2018 to US$244.8 million in FY2019. This is contributed by fair value gains recognised on investment properties under construction in our portfolio assets such as Qingpu Yurun, Sachiura properties and RW Higashi-Ogishima DC; as well as higher share of profits of the Group joint ventures. During the year, the Group also recognised US$16.5 million gain on disposal of seven balance sheet properties to NCI Core Fund as part of the Group's assets light capital recycling strategy.

ASSETS

The Group reported a strong balance sheet and ended 2019 with US$884.2 million in cash, and healthy net debt over total assets of 26.6%. Total assets as at 31 December 2019 were US$6.35 billion (2018: US$4.43 billion) comprised mainly investment properties, investment in joint ventures, investment in funds (classified as financial assets at fair value through profit or loss) and investment in listed securities (classified as financial assets at fair value through other comprehensive income) and cash balances.

Investment properties increased by 47.8% to US$2.79 billion (2018: US$1.89 billion) as at 31 December 2019. This was mainly from consolidation of Propertylink, acquisition of new properties during the year such as Sachiura, Wuxi Lekun and Kawajima properties, as well as revaluation gains on our investment properties. The increase was partially offset by deconsolidation of seven balance sheet properties upon disposal to NCI Core Fund.

Investment in joint ventures increased by 72.5% to US$698.0 million (2018: US$404.7 million) as at 31 December 2019 contributed by the Group's South Korea platform investment in Sunwood Star, consolidation of Propertylink, and new joint ventures set up in India.

Investment in funds increased by 75.5% to US$589.4 million (2018: US$335.8 million) as at 31 December 2019, which was in line with establishment of new funds, as well as revaluation gains on investment properties held by the funds.

LIABILITIES

Total bank and other borrowings as at 31 December 2019 were US$2.57 billion compared to US$1.46 billion at end of 2018. With cash balance of US$884.2 million, the net debt to total assets as at 31 December 2019 was 26.6%. The increase in net debt was primarily due to additional borrowings to fund the Group's investments and ongoing developments. Additional corporate borrowings included issuance of S$350 million fixed rates notes in February 2019 and US$425 million fixed rates notes in April 2019 respectively. Of the total borrowings, more than 90% are due and payable after one-year.

Subsequent to listing on SEHK, the Group had fully repaid the US$300m Hana Notes and redeemed in full previously unconverted Class C Preference Shares.

Capital Management

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

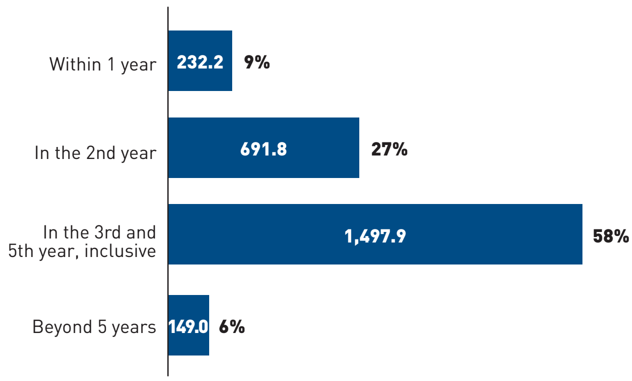
The Group's total borrowings as at 31 December 2019 were US$2.57 billion. With cash balance of US$884.2 million, the net debt to total assets as at 31 December 2019 was 26.6% which was within acceptable and healthy range.

The Group manages its interest rates exposure by maintaining a combination of fixed and floating rate borrowings. As at 31 December 2019, the fixed rate borrowing made up of 33% of the portfolio and balance of 67% on floating rate basis. In managing the interest rate profile, the Group considers interest rate outlook and holding periods of its investment profile. The Group's weighted average interest rate was 5.0% at end December 2019.

During the year ended 2019, the Group issued S$350 million three-year fixed rate notes bearing interest at 6.75% per annum and US$425 million three-year fixed rate notes bearing interest at 7.875% per annum under its US$2 billion Multicurrency Debt Issuance Programme. Subsequent to December 2019, the Group entered into an US$250 million three-year syndicated unsecured term loan with leading international banks at a rate of Libor plus 3.00%, which has been drawn down in full in March 2020. On 26 February 2020, the Group issued a S$225 million of five-year fixed rate notes bearing 5.10% per annum. With these financing, the Group has demonstrated its clear ability to materially reduce its cost of borrowing post listing by over 150bps, and to lengthen its debt maturity profile.

As at 31 December 2019, the Group's weighted average debt maturity remains at 3 years. The Group monitors its debt maturity profile on an ongoing basis and proactively built up sufficient cash reserves and refinancing existing borrowings to meet its short-term obligations, ongoing development expenditures and opportunistic investments.

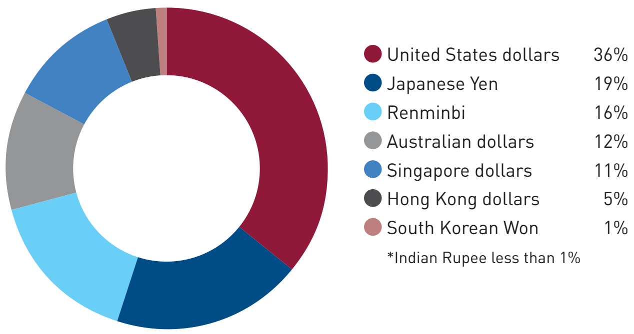
Debt Maturity Profile (US$ million)
As at 31 December 2019



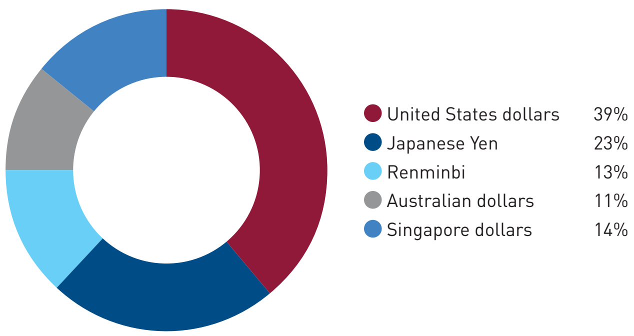
The Group has exposures to foreign exchange rates fluctuations from subsidiaries and joint ventures from China, Japan, South Korea, Australia, Singapore and India. The Group manages its foreign currency exposure via natural hedges at both projects and corporate levels. Operating and development activities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

As at 31 December 2019, currency profile of the Group's cash and bank balances; and bank and other borrowings are as below:

Cash and Bank Balances*
As at 31 December 2019



Bank and Other Borrowings
As at 31 December 2019



The Group continues to closely monitor the interest and exchange rates movements and evaluate such impact to its portfolio. The Group will consider using financial derivatives as additional tools when appropriate to manage foreign currency and interest rate exposures.

Charge of Assets

As at 31 December 2019, certain of the Group's assets were pledged to secure bank and other borrowings granted to the Group. The details of charged assets are disclosed in Note 26 to the Consolidated Financial Statements. Except for the aforementioned charges, all the Group's assets are free from any encumbrances.

Contingent Liabilities

As at 31 December 2019, neither the Group nor the Company had any significant contingent liabilities.

Investor Relations & Corporate Communications

ESR believes in cultivating strong and sustainable relationships with its stakeholders. ESR's senior management, Group Investor Relations (IR) and Group Corporate Communications teams place great importance on developing good relations with our shareholders, investors, analysts, fund managers, the media and members of the public through providing regular and relevant information on its corporate and business developments.

To help them better understand our business, we provide updates on our financial performance and operations through various platforms. Official announcements are submitted to The Stock Exchange of Hong Kong. ESR has a dedicated IR webpage with our announcements, IR policies and materials relating to our financial results and annual reports. Investors and members of the public can also sign up online to receive email alerts on updates published on the website.

The Group is committed to engage with shareholders and the investment community through the Annual General Meeting (AGM), interim and full-year results briefings, post results luncheons, conferences, meetings and site visits. ESR's senior management and IR team actively engages with investors, and gain a better understanding of investors' concerns and market perceptions through these engagements and dialogues.

Research Analyst Coverage:

As at 31 December 2019, ESR is covered by sell-side analysts from:
Deutsche Bank
DBS Bank Limited
Goldman Sachs
Morgan Stanley

Share Price (HK$) (Based on at end of day closing price)	**Listing Date to 31 December 2019**
Opening	17.60
High	17.70
Low	15.22
Average	16.73
Last done at year end	17.60
Total Volume (million shares)	251.8
Average Daily Trading Volume (million shares)	5.9

Financial Calendar

Results announcement for the financial year ended 31 December 2019	23 March 2020
Annual General Meeting	3 June 2020
Interim results announcement for the half-year ending 30 June 2020	August 2020

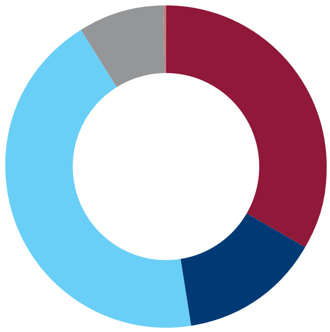
Investor Relations Calendar

Listing on The Stock Exchange of Hong Kong	1 November 2019
Goldman Sachs Greater China Corporate Day, Hong Kong	6 January 2020
Non-deal Roadshow for Fixed Income Investors, Hong Kong	7 January 2020
DBS Vickers Pulse of Asia Conference, Hong Kong	8 January 2020
Post FY2019 Results Non-deal Roadshow	23-27 March 2020

Shareholder base by investor type
As at 31 December 2019

- Founders / Senior Management 22.6%
- Strategic Shareholders[1] 44.3%
- Institutional Investors 5.0%
- Retail Investors 28.1%

Shareholder base by geographical distribution
As at 31 December 2019



- Hong Kong / China 33.6%
- Other Asia 14.0%
- North America 43.6%
- United Kingdom & Europe 8.6%
- Rest of World & Unidentified Holdings 0.2%

Note:
1. Strategic shareholders which comprise Jingdong Logistics Group Corporation, APG Stichting, Stepstone, Goldman Sachs, General Electric Pension Trust, Montsoreau Investment Limited and Emerald Ewood (Cayman) Limited are included in the public float immediately following the exercise of the completion of the sale of the over-allotment shares with effect from 28 November 2019.

Shareholding as at 31 December 2019

Size of Registered Shareholding	No. of shareholders	% of shareholders	No. of shares	% of issued share capital
500 or below	73	50.000	16,410	0.00
501-1,000	25	17.123	21,200	0.00
1,001-10,000	30	20.548	121,800	0.00
10,001-100,000	3	2.055	85,400	0.00
100,001-500,000	0	0.000	-	0.00
Above 500,000	15	10.274	3,036,339,833	99.99
Total	**146**	**100.000**	**3,036,584,643**	**100.00**

* 59.69% of total issued shares were or 1,812,596,123 shares held through the Hong Kong Securities Clearing Company Limited as at 31 December 2019.

Public Float: No less than 25% of the total issued share capital of the company will be held by the public in compliance with the requirements under Rule 8.08(1) of the Listing Rules.

Stock Codes
The Stock Exchange of Hong Kong: 1821
Reuters: 1821.HK
Bloomberg: 1821:HK

Investor Relations Contact

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Risk Management

The Group strongly believes that risk management is central to the sustained growth of the organisation. A proactive and robust risk management programme aligned to strategy aims to not only protect but create value for ESR's shareholders and investors.

The Group acknowledges that risk management should not only be about reducing and minimising risks. It is also about seeking out and capitalising on opportunities through risk-informed and considered decision-making. Therefore, it is important that ESR continuously adopts a robust risk management framework that optimises the risk-reward relationship while ensuring risks are taken in a prudent, justified manner well-supported by facts and available information.

Risk Governance

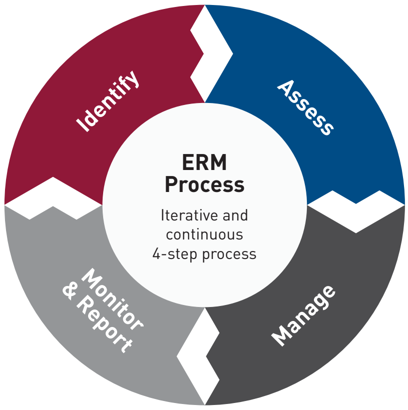
The Board acknowledges that it has overall responsibility for the governance of risks and maintenance of a sound system of risk management and internal controls. With the support of the Audit Committee (AC), the Board oversees the design, implementation and monitoring of risk management within the Group. The Audit Committee comprises of five Non-executive Directors (of which three of them are Independent Non-executive Directors) and meets at least twice annually.

In establishing an organisation-wide risk governance structure, ESR adopts the 'four lines of defence' model. This governance model aims to drive risk accountability and ownership at all levels of the organisation, at the same time maintaining the right level of commitment and segregation across stakeholder groups.

Four Lines of Defence	
1st Line of Defence: Business Governance/ Policy Management	Business, processes and risk owners constitute the first line of defence. Risk management is embedded in day-to-day routines and governed by procedures that can manage risks to an acceptable level for the achievement of the business objectives.
2nd Line of Defence: Management and Assurance	This line of defence comprises of risk management and governance related functions within the Group. The main role of these functions is to ensure risk management and governance related frameworks are well defined and consistently applied across the organisation.
3rd Line of Defence: Independence Assurance	Functions in this line of defence primarily provides independent assurance over the effectiveness of risk management and internal controls.
4th Line of Defence: Board Oversight	The last line of defence against risks is the Board of Directors. The Board, supported by the AC, is overall responsible for risk management, governance and assurance within the Group to safeguard the interests of the Company and its shareholders as a whole.

Risk Management Process

The Group adopts a four-step iterative risk management processes aimed at identifying, assessing, managing and monitoring different types of risk.



- **Identifying Risks**
  The risk identification process involves key stakeholders within the organisation, taking into account views from top Management, Department Heads as well as country representatives. The Group's risk profile, including key risks and risk assessments performed, is refreshed annually, or more frequently of the business environment warrants. ESR's risk universe is reviewed and refreshed and documented, including risks sub-categorised into strategic, financial, operational, compliance and technology.

  In order to focus risk management efforts on key risks to the Group, a five-by-five risk consequence matrix is used as the primary tool to facilitate the prioritisation of risks. Risks are valued on the matrix based on likelihood of occurrence and magnitude of impact should the risks materialise. Parameters representing ESR's risk appetite and tolerance are also established to guide the valuation of risks on the matrix. This risk identification exercise is conducted to ensure the Group's risk profile remains relevant to the business context and respond to changes in its business and external environment. The key risks of the Group will be identified and reviewed by top Management before it is drawn to the attention of the Board.

- **Assessing and Managing Risks**
  In-depth risk assessments are performed for key risks faced by the Group. The risks assessments consider the potential drivers, likelihood of the risks occurring and consequences should they occur, as well as mitigating controls in place to manage them. Risk assessments are reviewed periodically to ensure continued relevance to the Group.

  The Group has put in place various policies and procedures to mitigate key risks to an acceptable level based on the Board and Management's risk appetite and tolerance. These policies and procedures aim to drive consistency in work processes and application of controls within operations. All policies and procedures are reviewed on a periodic basis to ensure they remain up-to-date. Key updates and revisions to policies and procedures must be approved by appropriate parties and communicated to all relevant parties.

- **Monitoring and Reporting Risks**
  To ensure that risk management remains focused and effective, the Group has set in place mechanisms to monitor and report risks on a regular basis. Appointed risk owners are responsible for the continuous monitoring of their respective risks as delegated by top Management. Significant exceptions noted are highlighted to appropriate parties in a timely manner. At least half-yearly basis, key updates on risks and controls are presented to the Board, AC and Management for discussions and review.

Risk Management

Risk Categories

Strategic Risk

The Group strives to bring sustained value and growth to investors and shareholders by maintaining and strengthening its position as a leading logistics real estate platform. ESR's portfolio is subject to market risks such as rental rate and occupancy volatilities and country specific risks such as competition, supply, demand and local regulations. These risks which can directly impede the Group from achieving its strategic objectives are closely managed and monitored within the organisation.

Financial Risk

The Group believes that financial prudence is integral to business sustainability and adopts a prudent financial management by maintaining a strong balance sheet and adopting a disciplined investment approach. Financial risks such as liquidity, credit, currency and interest rate risks are closely managed and monitored by Management. Reports monitoring financial metrics and indicators are submitted to the Board at least half-yearly basis.

Operational Risk

Comprehensive operating, reporting and monitoring guidelines are in place to manage day-to-day activities and mitigate operational risks. Policies, procedures and systems are also put in place to ensure the continuity of key operations. Incident reporting and escalation protocols are in place and communicated to all staff.

ESR also recognises that people are the backbone of the organisation and has put in place measures to manage the attraction and management of talent, including succession planning, periodic benchmarking of remuneration, performance-based rewards, among others.

In addition, a comprehensive corporate governance framework has been established to maintain responsible and transparent business practices and does not tolerate any illegal or unethical acts by employees. The framework includes policies on whistle blowing, anti-money laundering and counter terrorist financing and prohibition of bribery, acceptance or offer of gifts and entertainment. In addition, there are mandatory annual ethics training and code of conduct declarations by employees. ESR treats all misconduct and dishonesty seriously and the Management reserves the rights to take appropriate disciplinary action, including termination of employment.

Compliance Risk

The Group is committed to comply with the applicable laws and jurisdictions in which it operates and does not tolerate any breaches in regulatory compliance. The Company had established relevant regulatory related policies and procedures to ensure compliance with applicable legislation and regulations. New and impending changes to regulations are closely monitored. Instances of non-compliance or regulatory breaches are urgently escalated to the Board and Management for follow-up.

Technology Risk

Technology is fast becoming an essential part of operations. ESR is continuously assessing the adequacy of the computer systems and implement improvements to the platforms due to the increased reliance on technology to improve our operational efficiency and provides high quality internal governance. ESR has set in place measures to protect itself against technology related risks which may arise from both internal and external sources.

Risk Culture

The Group recognises that risk culture is one of the critical success factors of an effective risk management programme. Driving the desired risk culture starts with the tone set by the Board and top Management, cascaded down to all staff within the organisation.

Regular risk communications and trainings to internal stakeholders is necessary to build awareness, understanding and appreciation of risk management within ESR. Management commits to allocate resources to the continuous journey of driving the right risk culture and mindset among all internal stakeholders.

Property Portfolio

Major development properties held on balance sheet

As at 31 December 2019

City	Property	Status	Estimated Completion Year	GFA (sqm)	Interest held by our Company	Type
CHINA						
Changsha	Changsha EDZ P2, South and North of Wangjiachong Road and West of Dongshier Road, Changsha Economic Development Zone, Changsha, Hunan Province, China	Interior Finishing	2020	67,366	100%	Logistics Facility
Chongqing	Chongqing Yongxiang II CIP, Zone M, Chayuan Group, Nan'an District, Chongqing, China	Superstructure in Progress	2020	47,092	100%*	Logistics Facility
	Chongqing Yongxiang III CIP, Zone M, Chayuan Group, Nan'an District, Chongqing, China	Superstructure in Progress	2020	57,551	100%*	Logistics Facility
Langfang	Langfang Zhongshi, South Qingyangshu Avenue and East of Chunhe Road, High-tech Industrial Development Zone, Langfang, Hebei Province, China	Foundation in Progress	2020	82,064	100%	Logistics Facility
Pinghu	Pinghu Dushangang, East of Bingang Road and North of Haihe Road, Dushangang Zone, Pinghu, Zhejiang Province, China	Land	2022	245,571	100%	Land
Qingyuan	Qingyuan Anqing, Xiuxi Village, Yuantan Town, Qingcheng District, Qingyuan, Guangdong Provicne, China	Land	2021	107,882	95%	Land
Shanghai	Jiangnan Chuanting, 4/9 Qiu, 11 Neighbourhood, Zhelin Town, Fengxian District, Shanghai, China	Superstructure in Progress	2020	35,815	100%	Logistics Facility
	Shanghai Yurun, No. 2989 Baishi Highway, Baihe Town, Qingpu District, Shanghai, China	Superstructure in Progress	2021	342,787	74%	Logistics Facility
Wenzhou	Wenzhou Ruian, Plot 26 Dingshan Phase II, Economic Development Zone, Rui'an, Wenzhou, Zhejiang Province, China	Foundation in Progress	2021	129,173	100%	Logistics Facility
JAPAN						
Tokyo	RW Higashi-Ogijima DC, Site A 21 Higashiogishima, Kawasaki-ku, Kawasaki-shi, Kanagawa-ken, Japan; Site B 23-1 and other tracts, Higashiogishima, Kawasaki-ku, Kawasaki-shi, Kanagawa-ken, Japan;	Planning	N/A	574,970	70%	Logistics Facility
	ESR Sachiura 2A DC, 8-5, Sachiura 1-chome, Kanazawaku, Yokohama-shi, Kanagawa-ken, 236-0003, Japan	Land	N/A	300,000	100%	Land
	ESR Sachiura 2B DC, 8-4, Sachiura 1-chome, Kanazawaku, Yokohama-shi, Kanagawa-ken, 236-0003, Japan	Land	N/A		100%	Land
AUSTRALIA						
Victoria	Clayton 45 McNaughton Road	Land	2021	37,378	92%	Land

* The subsidiary company of ESR Cayman Limited holds 50% of Chongqing Yongxiang´s registered capital, and will acquire the remaining 50% shares at a pre-agreed price in accordance with the agreement between the shareholders.

Property Portfolio

Major investment properties held on balance sheet

As at 31 December 2019

City	Property	GFA (sqm)	Tenure	Lease Expiry	Interest held by our Company	Type
CHINA						
Changsha	Changsha EDZ P1, Huangjiachong Lane, Langli Sub-district, Changsha County, Changsha, Hunan Province, China	22,426	Leasehold	2067	100%	Logistics Facility
Chongqing	Chongqing Yongxiang, Zone M, Chayuan Group, Nan'an District, Chongqing, China	43,414	Leasehold	2067	100%*	Logistics Facility
Dongguan	Dongguan Machong, Xinji Village, Machong Town, Dongguan City, Guangdong Province, China	85,066	Leasehold	2062	100%	Logistics Facility
	Dongguan Hongmei, Hongwuwo Village, Hongmei Town, Dongguan, Guangdong Province, China	62,343	Leasehold	2063	100%	Logistics Facility
	Dongguan Hongmei - Mingfeng, Hongwuwo Village, Hongmei Town, Dongguan, Guangdong Province, China	40,383	Leasehold	2062	100%	Logistics Facility
Jilin	Jilin Daling, South of Fumin Street, Daling Vehicle Logistics Park, Gongzhuling, Jilin Province, China	94,412	Leasehold	2068	100%	Logistics Facility
Langfang	Langfang Weidu, No.14 Fengwu Road, Economic and Technical Development Zone, Langfang, Hebei Province, China	71,687	Leasehold	2061	100%	Logistics Facility
Kunshan	Jiangsu Friend - I, No. 718 & 818 Xinsheng Road, Huaqiao Town, Kunshan, Jiangsu Province, China	135,081	Leasehold	2054	100%	Logistics Facility
	Jiangsu Friend - II, No. 516 Fengshan Road, Huaqiao Town, Kunshan, Jiangsu Province, China	85,508	Leasehold	2056	100%	Logistics Facility
	Jiangsu Friend - III, No. 369 Pengqing Road, Huaqiao Town, Kunshan, Jiangsu Province, China	206,418	Leasehold	2056	100%	Logistics Facility
Shanghai	Shanghai WGQ, No. 268 Delin Road, Pudong New Area, Shanghai, China	14,265	Leasehold	2053	100%	Logistics Facility
Shenyang	Shenyang Yibei, No. 1 Dongxuehu Street, Shenbei New District, Shenyang, Liaoning Province, China	74,442	Leasehold	2066	100%	Logistics Facility
Tianjin	Tianjin Fanbin - Warehouse#ABCEF, No. 78 Fuyuan Avenue, Dawangguzhuang Town, Wuqing District, Tianjin, China	106,616	Leasehold	2064	100%	Logistics Facility
	Tianjin Fanxin, No. 80 Fuyuan Road, Jingbin Public Industrial Park, Dawangzhuang Town, Wuqing District, Tianjin, China	75,427	Leasehold	2064	90%	Logistics Facility
Wuxi	Wuxi Lekun, No. 182 Xishan Avenue, Xinwu District, Wuxi, Jiangsu Province, China	89,116	Leasehold	2066	100%	Logistics Facility

* The subsidiary company of ESR Cayman Limited holds 50% of Chongqing Yongxiang's registered capital, and will acquire the remaining 50% shares at a pre-agreed price in accordance with the agreement between the shareholders.

City	Property	GFA (sqm)	Tenure	Lease Expiry	Interest held by our Company	Type
JAPAN						
Tokyo	RW Kawajima DC, 678-1 and other tracts, Aza Senmotokita, Oaza Tomori, Kawajimamachi, Hiki-gun, Saitama-ken	39,762	Freehold	–	100%	Logistics Facility
AUSTRALIA						
New South Wales	122 Newton Rd, Wetherill Park	18,060	Freehold	–	92%	Logistics Facility
	164-166 Newton Road, Wetherill Park	11,854	Freehold	–	92%	Logistics/ Industrial Facility
	44 Mandarin Street, Villawood	19,645	Freehold	–	92%	Industrial Facility
	50 Airds Road, Minto	21,557	Freehold	–	92%	Industrial Facility
	7 Gundah Road, Mt Kuring-Gai	32,954	Freehold	–	92%	Logistics Facility
	Bringelly Business Park, Leppington - CFC Group, Lot 6, Skyline Crescent, Horningsea Park	7,763	Leasehold	2118	92%	Industrial Facility
Queensland	163 and 183 Viking Drive, Wacol	13,636	Freehold	–	92%	Logistics Facility
	183 Viking Drive, Wacol	12,246	Freehold	–	92%	Logistics Facility
	55 Tonka St	9,175	Freehold	–	92%	Industrial Facility
Victoria	144 National Blvd, Campbellfield	16,620	Freehold	–	92%	Logistic Facility
	71-91 Whiteside Rd, Clayton, Victoria	18,194	Freehold	–	92%	Logistics Facility
	Melbourne Markets, 315 Cooper Street, Epping, Victoria	74,968	Freehold	–	92%	Logistics Facility
	345 Perry Rd	5,701	Freehold	–	92%	Industrial Facility

Corporate Governance Report

The Board is pleased to present this corporate governance report setting out a discussion of the corporate governance practices adopted and observed by the Group.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving high corporate governance standards to safeguard the interests of its stakeholders. The Company has applied the principles in the Corporate Governance Code ("**CG Code**") in Appendix 14 of the Listing Rules by conducting its business by reference to the principles of the CG Code and emphasising such principles in the Company's governance framework. It is in the opinion of the Directors that the Company has complied with all the code provisions as set out in the CG Code during the year ended 31 December 2019.

During the period from 1 November 2019 (the "**Listing Date**", being the date of listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")) to 31 December 2019 (the "**Relevant Period**"), the Company has complied with all the code provisions stated in the CG Code.

THE BOARD

Board Compositions

During the Relevant Period and as at the date of this annual report, the composition of the Board is as follows:

Executive Directors
Mr Jinchu SHEN (co-CEO)
Mr Stuart GIBSON (co-CEO)
Mr Charles Alexander PORTES (President)

Non-executive Directors
Mr Jeffrey David PERLMAN (Chairman of the Board)
Mr Joseph Raymond GAGNON
Mr Zhenhui WANG
Mr Ho Jeong LEE

Independent Non-executive Directors
Mr Brett Harold KRAUSE
The Right Honourable Sir Hugo George William SWIRE, KCMG
Mr Simon James MCDONALD
Ms Jingsheng LIU
Mr Robin Tom HOLDSWORTH

The biographical details of the Directors are set out in the section of "Board of Directors" of this annual report.

There is no financial, business, family or other material or relevant relationship between members of the Board.

Chairman and Chief Executive

Mr Jeffrey David Perlman, the Chairman of the Board and Non-executive Director of the Company, is responsible for the formulation of strategic directions and for the high level oversight of the management and operations of the Group.

The role of chief executive is jointly assumed by Mr Jinchu Shen, the Executive Director, founder and co-CEO, and Mr Stuart Gibson, the Executive Director, founder and co-CEO. The co-CEOs are responsible for the management and conduct of the Group's business, overall risk control and daily business operation.

There is a clear division of the management of the Board and the day-to-day management of business of the Company among the Chairman of the Board and the co-CEOs, ensuring the existence of checks and balances mechanism in the exercise of power and decision-making process of the Board.

Term of Appointment of Non-executive Directors

Each of the Non-executive Directors and Independent Non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from the Listing Date unless terminated by one month's written notice.

The appointment of all the Non-executive Directors and Independent Non-executive Directors are subject to the retirement by rotation requirements under article 108 of the Articles of Association of the Company.

Compliance in relation to Independent Non-executive Directors

During the Relevant Period and as at the date of this annual report, the Company has been in full compliance with rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. The Board comprises 12 Directors, five of which are Independent Non-executive Directors, representing more than one-third of the Board. At least one of the Independent Non-executive Directors has the professional qualifications or accounting or related financial management expertise required under rule 3.10(2) of the Listing Rules.

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his/her independence according to the guidelines set out in rule 3.13 of the Listing Rules and is of the view that each of the Independent Non-executive Directors remains independent.

Board Meetings & Attendance Records

During the Relevant Period, the Board held one meeting which was attended by 10 Directors, and the Chairman of the Board had a meeting with all Independent Non-executive Directors without the presence of other Directors. As the Company was listed on the Stock Exchange close to the end of the financial year on 1 November 2019, no general meeting or board committee meeting was held during the Relevant Period.

Induction and Continuous Training and Professional Development

All directors should participate in continuous professional development to develop and refresh their knowledge and skills in the hope that their contribution to the Board remains informed and relevant.

Every newly appointed Director of the Company received a comprehensive, formal and tailored induction upon his appointment. Based on the records provided by the Directors, the continuous professional development taken by each of the Directors during the year ended 31 December 2019 is summarised as follows:

Name of Director	Training Attended (Note)
Executive Directors	
Mr Jinchu SHEN (co-CEO)	√
Mr Stuart GIBSON (co-CEO)	√
Mr Charles Alexander PORTES (President)	√
Non-executive Directors	
Mr Jeffrey David PERLMAN (Chairman of the Board)	√
Mr Joseph Raymond GAGNON	√
Mr Zhenhui WANG	√
Mr Ho Jeong LEE	√
Independent Non-executive Directors	
Mr Brett Harold KRAUSE	√
The Right Honourable Sir Hugo George William SWIRE, KCMG	√
Mr Simon James MCDONALD	√
Ms Jingsheng LIU	√
Mr Robin Tom HOLDSWORTH	√

Note:
All the Directors received training and training materials, including from the Company's external legal advisor, about matters relevant to their duties as directors. They also kept abreast of matters relevant to their role as Directors by such means as attendance at seminars and conferences and/or reading materials about financial, commercial, economic, legal, regulatory and business affairs.

Corporate Governance Report

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 to 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 ("**Code of Conduct and Business Ethics**") regarding all Directors', officers and employees' securities transactions on terms no less exacting than the required standard set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" ("**Model Code**") in Appendix 10 of the Listing Rules.

Specific enquiries were made of all Directors, and all Directors confirmed that they had complied with all required standard set out in the Model Code during the Relevant Period.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Company is governed by the Board, which is responsible for the leadership and control of the Company. The Board is collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The Board's functions and duties include (without limitation) to the following:

- Providing strategic directions in the business development of the Group and scrutinising the Group's performance in achieving its operational and financial goals and objectives
- Making all major decisions, including but not limited to those decisions affecting the financial results, notifiable and connected transactions, dividend policies and information disclosure, of the Group
- Convening general meetings and reporting the work results to the Shareholders
- Devising policies for, and reviewing and monitoring the implementation of, the risk management and internal control systems and other policies of the Group
- Overseeing and reviewing the environment, social and governance issues of the Group
- Performing the corporate governance functions (as further explained in "Corporate Governance Functions" below)
- Exercising other power, duties and functions as conferred by applicable laws, the Listing Rules and the Articles of Association of the Company

Day-to-day management and execution of the operations of the Group are delegated to the Executive Directors and senior management team of the Company, whose performance are periodically reviewed by the Board. The Board also delegated certain powers to the Audit Committee, the Remuneration Committee and Nomination Committee, the details of which are set out below. The Board may also from time to time delegate any of its powers to committees as appropriate. The Board has established the Investment Strategy Committee consisting of certain directors and senior management to identify business directions and strategies, review and provide to the Board with investment and divestment strategy and prepare the annual budget for submission to the Board for approval.

Board Committees

Audit Committee

The Audit Committee of the Company was established by a Board resolution passed on 20 May 2019. The terms of reference are published on the websites of the Company and the Stock Exchange.

The main functions and duties of the Audit Committee include:

(a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor;
(b) reviewing the Company's financial information and reporting system; and
(c) oversight of the Company's risk management and internal control systems, including the whistleblowing arrangement for employees, customers and suppliers to raise concerns about possible improprieties in any matter related to the Company.

The Audit Committee comprises five Directors, including two Non-executive Directors, namely Mr Joseph Raymond Gagnon and Mr Ho Jeong Lee, and three Independent Non-executive Directors, namely Mr Brett Harold Krause, Mr Simon James McDonald (Chairman of the Audit Committee with the appropriate accounting and related financial management expertise as required under rule 3.10(2) of the Listing Rules) and Mr Robin Tom Holdsworth.

The Audit Committee held a meeting attended by all members of the Audit Committee in March 2020 for the review of the 2019 annual results of the Company, review of the risk management and internal control systems and the review of the effectiveness of the Group's internal audit function.

Remuneration Committee
The Remuneration Committee of the Company was established by a Board resolution passed on 20 May 2019. The terms of reference are published on the websites of the Company and the Stock Exchange.

The major functions and duties of the Remuneration Committee include:

(a) making recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for development remuneration policy;
(b) reviewing and approving of the management's remuneration proposals with reference to the Board's corporate goals and objectives; and
(c) making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management.

The Remuneration Committee comprises three Directors, including one Non-executive Director, namely Mr Jeffrey David Perlman, and two Independent Non-executive Directors, namely Mr Brett Harold Krause (Chairman of the Remuneration Committee) and Mr Simon James McDonald.

The Remuneration Committee held a meeting attended by all members of the Remuneration Committee in March 2020 for the determination of the policy for the remuneration of Executive Directors, assessment of the performance of Executive Directors and approval of the terms of Executive Directors' service contracts.

The remuneration packages are determined with reference to the experience, level of responsibilities, time commitment and contributions of each individual, the Company's performance and the prevailing market conditions. Any discretionary bonus and other merit payments depend on the profit performance of the Group and individual performance of Directors, senior management and other employees. The remuneration levels are sufficient to attract and retain directors to run the Company successfully without paying more than necessary. The Group reviews its remuneration policy on a regular basis

The remuneration payable to members of senior management by band for the year ended 31 December 2019 is set out below:

Remuneration band (USD)	**Number of Individual**
Below US$2,000,000	1
US$2,000,001 to US$4,000,000	1
US$4,000,001 to US$5,000,000	2

Particulars of remunerations of executive directors are set out in note 8 to the Consolidated Financial Statements.

Nomination Committee
The Nomination Committee of the Company was established by a Board resolution passed on 20 May 2019. The terms of reference are published on the websites of the Company and the Stock Exchange.

The key functions and duties of the Nomination Committee include:

(a) reviewing the structure, size, composition and diversity of the Board at least once annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategies;
(b) developing the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship;
(c) ensuring the diversity of the Board members;
(d) assessment of the independence of Independent Non-executive Directors; and
(e) making recommendations to the Board on matters relating to the appointment, re-appointment and removal of Directors and succession planning for Directors.

The Nomination Committee comprises three Independent Non-executive Directors, namely Mr Brett Harold Krause, The Right Honourable Sir Hugo George William Swire, KCMG (Chairman of the Nomination Committee) and Ms Jingsheng Liu.

The Nomination Committee held a meeting attended by all members of the Nomination Committee in March 2020 for, the review of the nomination policy, procedures, process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship.

Corporate Governance Report

The Board nomination policy, process and criteria adopted by the Nomination Committee are outlined below:

(a) to use open advertising or the services of external advisers to facilitate the search, to consider candidates from a wide range of backgrounds with the Company's Board diversity policy ("**Board Diversity Policy**") in mind, and to consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the positions;
(b) to conduct a background check against the biographical information and written confirmation provided by the candidate(s) and to take reasonable steps to seek clarification from the candidate(s), if needed;
(c) to assess the independence of the candidate(s) to be appointed as an Independent Non-executive Director by reference to the independence requirements under the Listing Rules;
(d) to consider the candidate(s)' ability to devote sufficient time to the Board if the candidate(s) will be holding his/her seventh (or more) listed company directorships;
(e) to invite, if necessary, the candidate(s) to meet with members of the Nomination Committee to assist consideration of the proposed nomination or recommendation;
(f) to convene a Nomination Committee meeting for consideration of the candidate(s);
(g) to submit its nomination proposal to the Board for consideration and approval or to make recommendation to the shareholders for approval; and
(h) in relation to re-appointment of Directors who will offer themselves for re-election at the Company's annual general meeting, to review the candidate(s)' profiles in consideration of strategy, structure, size and composition of the Company and their experience and skills.

The Company has adopted a Board Diversity Policy. In order to achieve a diversity of perspectives among members of the Board, the Board Diversity Policy provides that:

(a) The Board shall include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement. Non-executive directors (including independent non-executive directors) shall be of sufficient caliber and number for their views to carry weight.
(b) The selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Recruitment and selection practices will be appropriately structured so that a diverse range of candidates are considered. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee is of the view that the current Board composition satisfies the objectives of the Board Diversity Policy, and will conduct a review of the policy on an annual basis to ensure the continued effectiveness of the policy in delivering its objectives.

According to the terms of reference, the Nomination Committee shall meet at least once a year. The Nomination Committee shall strictly adhere to this requirement in the future.

Corporate Governance Functions
The Company adopted the CG Code as the policy for its corporate governance of the Company.

The responsibility for performing the corporate governance functions rests with the Board. The Board has performed the following duties:

(a) developed and reviewed the Company's policies and practices on corporate governance;
(b) reviewed and monitored the training and continuous professional development of directors and senior management;
(c) reviewed and monitored the issuer's policies and practices on compliance with legal and regulatory requirements;
(d) developed, reviewed and monitored the Code of Conduct and Business Ethics applicable to employees and Directors; and
(e) reviewed the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

COMPANY SECRETARY

Mr Richard Kin-sing Lee ("**Mr Lee**") was appointed as the Company Secretary of the Company on 22 February 2019. He is also the Group Legal Counsel (Capital Markets) of the Company and, thus, an employee of the Company having day-to-day knowledge of the Company's affairs.

Pursuant to rule 3.29 of the Listing Rules, Mr Lee undertook no less than 15 hours of relevant professional training in 2019.

FINANCIAL REPORTING AND INTERNAL CONTROL

Financial reporting
The Directors acknowledged their responsibility for the preparation of the consolidated financial statements of the Group for the year ended 31 December 2019. The statement by the auditors about their reporting responsibilities for the auditors' report on the financial statements is set out in the Independent Auditor's Report on pages 118 to 122 of this annual report.

The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

External Auditor's Remuneration
The total fees paid to Ernst & Young, the Company's external auditors, during the year ended 31 December 2019 were US$6,286,000, of which US$4,903,000 was for audit services (including reporting accountant's fees paid in relation to the global offering and listing of shares of the Company on the Stock Exchange, and statutory audit fee of subsidiaries) and US$1,383,000 was for non-audit services mainly relating to tax and transaction service.

Internal controls and risk management
The Board is responsible for establishing, maintaining and reviewing the adequacy and effectiveness of the risk management and internal control systems including ensuring the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Reporting to the Board, the Audit Committee is delegated with the authority and responsibility for ongoing monitoring and evaluation of the effectiveness of the relevant systems. To prudently manage its long-standing principle, the Group has put in place a robust and inclusive framework to manage risks at different business operations in diversified segments within the organisation.

The Company implemented the following risk management and internal control structures and measures to identify, control and manage its significant risks:

- Enterprise Risk Management (ERM) Framework based on ISO31000 and COSO for identifying, evaluating and managing significant risks. This includes establishment of risk context, the identification of risk factors, the evaluation of risk levels and related impacts on the business performance of the Group.
- Since the risk profile may vary from time to time, the management performs risk assessment by reviewing and updating the risk profiles on an as-needed basis but at least once a year.
- The Company has an internal control function to carry out an analysis and independent appraisal of the adequacy and effectiveness of the systems.
- Stringent internal policies and processes are in place to prevent the misuse of inside information and avoid conflicts of interest, including having a whistleblowing policy in place.

The Company has adopted a whistleblowing policy, which requires employees and encourages outside third parties that have business relationship with the Group to report their concerns about improprieties and misconduct in relation to the Group. All whistleblowing reports will be reviewed by the Group's Head of Compliance and the General Counsel. The ensuing investigation reports will be sent to the Audit Committee of the Company for further action.

The main features of the risk management and internal control systems are as follows:

- The Board is responsible for overseeing the risk management and internal control systems to ensure core values, strategic planning and operational procedures and communications within the Group are effective;
- Risk management and internal control functions assist the Board to ensure that Group's effective implementation of framework, policies, procedures and controls are in place. Risk management function initiates a risk management plan and prioritises the Company' s key risks as well as evaluation of the control mechanisms/activities which contribute to mitigating the risk of business disruption or non-compliance with applicable rules and regulations. The identified risks are evaluated based on the likelihood of occurrence and magnitude of impact should the risks materialise;
- Internal audit function will perform independent appraisal of major operations on an ongoing basis; and
- Appropriate risk mitigating activities are in place including identification of risks to the achievement of its business objectives across the entity and analyses risks as a basis for determining how the risks should be managed.

Refer to "Risk Management" on pages 54 to 56 of this annual report for further details of the Group's risk management programme.

Corporate Governance Report

The management has also engaged a professional consulting firm to assist the Group in evaluating risk management framework of the Group. The Group is in the process of implementing recommendations from the consulting firm to enhance the risk management systems. In the last Audit Committee Meeting held in March 2020, the Audit Committee reviewed the ERM Framework and approach which provides a reliable basis for determining appropriate risk responses and its exposures to the Group.

The Company adopted a disclosure control policy which provides a general guide to Directors, the senior management and employees on the handing and dissemination of inside information and responding to enquiries in accordance with the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance and the Listing Rules.

Subsequent to the Relevant Period, at the Board meeting held on 21 March 2020, the Board conducted a review of the effectiveness of the Group's risk management and internal control systems for the reporting year. The review covered all material controls, including financial, operational, technology and compliance controls. The Board had received a confirmation from the management on, and was satisfied with, the effectiveness and adequacy of the systems.

Internal Audit

The internal audit department of the Company provides independent assurance regarding the existence of adequate and effective internal control environment adopted by the Company. It reports directly to the Audit Committee, and when carrying out the duties, the internal audit department has free and unrestricted access to information and management of the Company. The internal audit department adopts a risk-based audit approach in reviewing and monitoring the adequacy and effectiveness of the Group's risk management and internal control systems. An internal audit plan is discussed and approved by the Audit Committee on an annual basis, and a summary of major audit findings, recommendations and remediation are reported to the Audit Committee on a regular basis. The findings of the internal audit department and the remedial actions taken by the relevant departments form part of the Board's assessment of the Group's risk management and internal control systems.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

Convening an Extraordinary General Meeting

In accordance with article 64 of the Articles of Association of the Company, one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings may request for the convening of an extraordinary general meeting. A requisition requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition shall be made in writing to the Board or the Company Secretary at its principal place of business in Hong Kong at 2406-07 Man Yee Building, 68 Des Voeux Road Central, Hong Kong . Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

Shareholders who wish to propose resolutions may make their request to the Company to convene a general meeting in accordance with article 64 of the Articles of Association as stated above.

A written notice of proposal(s) with detailed contact information of the Shareholders shall be lodged with the Company at its principal place of business in Hong Kong at 2406-07 Man Yee Building, 68 Des Voeux Road Central, Hong Kong, with a copy of the proposal delivered to the Company's Hong Kong branch share registrar.

Putting Forward Enquiries to the Board

Shareholders may submit their enquiries and concerns to the Board in writing with their detailed contact information and addressed to the Board or the Company Secretary at the Company's principal place of business in Hong Kong at 2406-07 Man Yee Building, 68 Des Voeux Road, Central, Hong Kong. The Company will not normally deal with verbal or anonymous enquiries.

Constitutional Documents

The Articles of Association of the Company was adopted on 12 October 2019 which became effective on the Listing Date. During the Relevant Period, no change was made to the Articles of Association of the Company.

Investor Relations

The Company is committed to keeping all its shareholders, other stakeholders, analysts and the media informed of its performance and any changes in the Group or its business which would likely materially affect the price or value of the Company's securities. This is performed on a timely and consistent basis to assist shareholders and investors in their investment decisions.

The Company has in place a Group Investor Relations department and a Group Corporate Communications department, both of which facilitate effective communication with the Company's shareholders, investors, analysts, fund managers, the media and members of the public. The Company actively engages with its shareholders and has put in place an Shareholders Communication Policy (Policy) to promote regular, effective and fair communications with its shareholders. The Policy is available on the Group's website at www.esr.com.

The Group has a formal policy on corporate disclosure controls and procedures to ensure that the Company complies with its disclosure obligations under the Listing Manual.

More information on the Company's investor and media relations efforts can be found in the Investor Relations & Corporate Communications section on pages 52 to 53 of this Annual Report.

Environmental, Social and Governance Report

LEADERSHIP MESSAGE

Welcome to ESR's first sustainability report in which we celebrate the opportunity to shine a light on what sets us apart as the leading developer and manager of modern, state-of-the-art, focused and integrated logistics real estate platforms in the Asia Pacific region.

2019 was a transformational year for ESR. In addition to completing our IPO, we have cemented our market leading position through expansion of our presence in six core markets: China, Japan, South Korea, Singapore, Australia and India. To achieve this success in spite of a generally challenging geopolitical environment is remarkable. We extend our heartfelt appreciation to all stakeholders—our capital partners, employees, customers, suppliers and the local communities in which we operate—for your ongoing support.

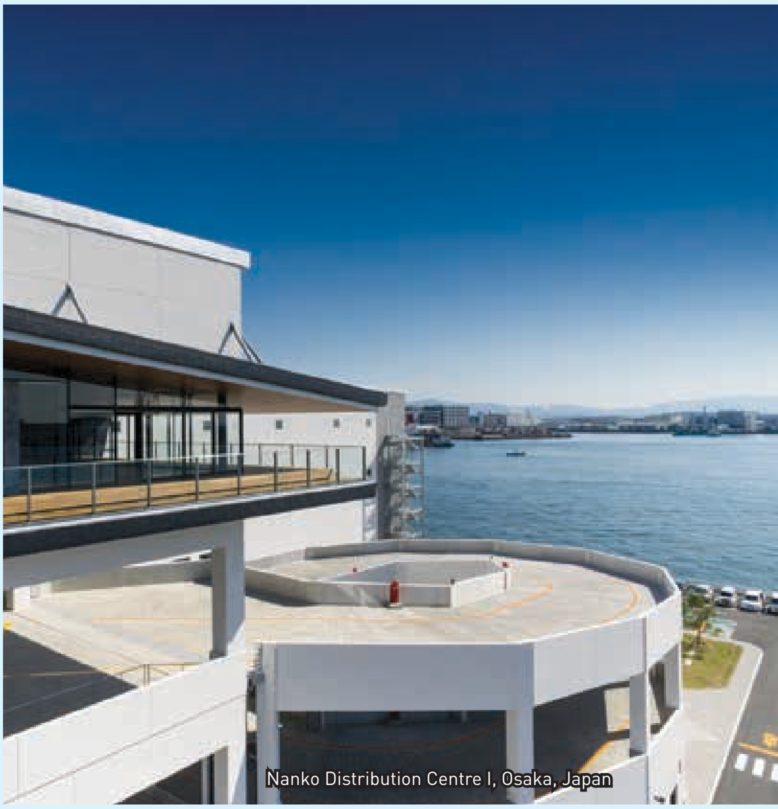
ESR's scale, business model, and regional expertise, position us well to capitalise on strong secular trends in the Asia Pacific region, including continued growth of e-commerce and a superior risk/reward proposition for the logistics sector. Over the past year, we have welcomed 216 new employees to our expanding pan-regional team. During this growth phase of our business, we are focused on building capacity by combining our skills and experiences from each market to apply best practices across our combined asset base.

UNITING BEHIND COMMON VALUES

It is of utmost importance that we provide clear and unambiguous communication to our workforce and business partners about our commitment to upholding ESR's ethical, legal and compliance standards. The value we place on honesty, transparency, integrity and fair treatment in all aspects of our operations and decision making is reflected in ESR's Code of Conduct and Ethics, Group Human Resources Policy and other Group policies.

We recognise and embrace the benefits of diversity, as reflected in the composition of our newly established team at Hong Kong Headquarters where women constitute 62% of employees. As part of our commitment to providing equal opportunities, we also adopted a Board Diversity Policy in November 2019.

In recent months, we have implemented a Group-wide risk management system and initiated a process for screening our supply chain and customer base taking into account Environmental, Social and Governance (ESG) risks. In response to local regulatory requirements, ESR Australia is leading the Group on development and implementation of a new Modern Slavery Policy, which seeks to eradicate the practice of all forms of modern slavery, including forced labour and child labour throughout our value chain.


Nanko Distribution Centre I, Osaka, Japan

RESPONDING TO LOCAL NEEDS

The driving force for continual innovation in our business stems from our highly-experienced teams in all markets, which are sensitive and adaptive to local needs.

In Japan, for example, we made an early push into renewable energy by installing roof-top solar systems to make the most of regulatory incentives provided by the government's Feed-In-Tariff (FIT) scheme. Recognising that working mothers are underutilised in the labour force, we introduced day care facilities as a standard provision in our larger distribution centres. To ensure we remain ahead of the curve, our Future Solutions Group is working on adapting new technologies such as autonomous transportation and drones to our facilities and services.

It is always rewarding when, as developers, we have control over the design, construction and management our properties to optimise sustainable development impacts over the long term. India represents an exciting new frontier for our business, where we are developing logistics parks on green field sites in suburban areas. In this environment, we enjoy the advantage of starting from a clean slate to apply the best solutions, such as roofs designed to withstand the additional weight of utility scale roof-top solar systems and warehouse grids that accommodate robotics.

ESR Ichikawa Distribution Centre, Japan features an impressive "green wall" that acts as a sound-proofing barrier and helps to reduce urban heat-island effect while cleaning the air of pollutants and dust.

DEFINING OUR VALUE PROPOSITION

In 2019, we adopted our Group Sustainability Policy and elaborated on our sustainability strategy. These initiatives build on a strong base of best practices from across the Group. In South Korea, for example, the recent attainment of WELL Gold certification for our flagship development, Bucheon Logistics Park, exemplifies our approach to creating human-centric places by incorporating a range of building design and programming features that improve the workplace environment.

We recognise that ESG performance is of key interest to our stakeholders, including capital partners and customers who represent a broader movement towards greater transparency and accountability on environmental and social matters. The trend throughout our leasing portfolio is to move away from traditional manufacturing and industrial tenants in favour of high-tech logistics and data centres. These customers, who prioritise attractive working environments and eco-efficiency, are helping to drive sustainability in our operations through their leasing requirements.

BUILT TO LAST AND HERE TO STAY

We acknowledge that climate change poses significant risks for sustainable development of our business due to the impact of global warming and acute effects from extreme weather events. With its arid environment and recent experience of devastating wild fires, Australia is at the forefront of the global climate crisis. In this market, we use a climate risk model to inform our buy or sell decisions, and we are embarking on a climate impact study that will help shape the Group's approach to climate adaptation throughout the Asia Pacific region.

As we go to press with this report, we are closely monitoring development of the COVID-19 situation, which has impacted many people's personal and professional lives in an imminent way over the past few months. Our Business Continuity Plans are in place and we are implementing protective and preventive measures to minimise impacts on our business. As we continue to prioritise the wellbeing and safety of our stakeholders above all else, our workforce is pulling together during this challenging time. We expect to emerge from this experience as an even stronger and more adaptable organisation.

Thank you for your continued support.

Jinchu Shen and Stuart Gibson,
Co-founders & Co-CEOs

Environmental, Social and Governance Report

OUR VISION

We develop and manage logistics facilities for the new economy, helping to create the backbone for 21st century commerce across the Asia Pacific region. We offer our tenants modern, state-of-the-art, focused and integrated logistics real estate platforms; and we provide our investors with exposure to the most dynamic sector in the world's fastest growing region.

ESR Kuki Distribution Centre in Tokyo is a four-storey state-of-the-art facility with roof top solar panels providing 2.3MW of clean energy installed capacity. It has been certified as a Class A property under CASBEE—Japan's national building sustainability rating system.

Shanghai Fengyuan Logistics Centre, China

INTEGRATING SUSTAINABILITY INTO OUR DEVELOPMENT CYCLE

At ESR, we aspire to play an integral role in creating the backbone for 21st century commerce across the Asia Pacific region.

Our Sustainability Mission

We are committed to integrating Environmental, Social and Governance (ESG) considerations across the logistics real estate development cycle of our activities and in our diligence, transparency and accountability processes.

We define "sustainability" in terms of integrating ESG considerations into our business activities with a view to managing scarce natural resources, looking after the health, safety and wellbeing of our stakeholders, and ensuring effective corporate governance while striving to maintain positive financial returns.

WHAT WE DO

Development
Featuring an end-to-end integrated suite of technical capabilities and services, our development platform covers every stage of the development cycle from land sourcing and design through to construction and leasing.

Fund Management
We manage a broad range of funds and investment vehicles with interests in a portfolio of premium logistics properties at various stages of the property life cycle.

Investment
Our investments include completed properties held on our balance sheet, co-investments in funds and investment vehicles as well as public REITs that we manage.

KEY PROCESSES

- Investment Identification
- Feasibility Study, Transaction Due Diligence
- Investment Decisions
- Permit Approvals
- Asset Development
- Asset Management
- Performance Monitoring & Reporting

HOW WE DO IT

Policies and Procedures
Our **Group Sustainability Policy** outlines how we integrate ESG considerations into all aspects of our business. Complemented by our full suite of corporate policies, codes and practices, it sets out the direction of consensus-building for continual improvement in sustainability performance across the Group.

Responsibility
Our **ESR Sustainability Committee** is made up of senior representatives from key departments and regions. It is chaired by the ESG Officer and reports to the Executive Committee. The Committee oversees our progress toward achieving our sustainability vision and strategy, and ensures that we meet our commitments and adhere to corporate policies and practices.

Accountability
We participate in and actively support sustainability certifications, benchmarks and surveys so that our customers, investors and other **Key Stakeholders** can make informed assessments about our sustainability performance.

ESG features at the very earliest stages of investment identification. We conduct feasibility studies with reference to stakeholder interests as well specific ESG Due Diligence considerations. At the investment stage, we make decisions taking into account financial and non-financial risks, including climate risk. During asset development, we appoint contractors in accordance with our sustainable development objectives and strive to achieve local and internationally recognised standards for our buildings. In all local offices, our leadership teams are setting goals and monitoring performance in order to facilitate meaningful reporting and disclosure.

Environmental, Social and Governance Report

SUSTAINABILITY AT A GLANCE

In 2019, we developed our sustainability framework, which organises material ESG topics for our business into three key pillars: People and Partners, Property Portfolio and Corporate Performance. "Human-centric Places" are at the centre of our strategy because basic human needs are universal, and meeting those needs today while ensuring they can be met in future is the cornerstone of sustainable development.

Three Key Pillars

CORPORATE PERFORMANCE

Effective corporate governance is critical to our success, providing the foundation for sustained growth over the long term

- Participation in GRESB
- Effective risk management systems

PEOPLE AND PARTNERS

Creating a positive and supportive environment is our social responsibility to the communities in which we operate, and to our employees, our tenants and our suppliers

- Engaging different groups of people: employees, tenants, suppliers, community and others
- Culture of community service

PROPERTY PORTFOLIO

Develop and manage modern, state-of-the-art logistics facilities for the new economy and help create the backbone for the 21st century commerce across the Asia Pacific region

- Energy efficiency and innovative designs
- Building certifications
- Harmony with the community

> "ESR's holistic, "human-centric" approach not only focuses on environmental risks but also on making a meaningful impact on society and on the health and well-being of our tenants."

Emma Larsson, ESG Officer

PEOPLE AND PARTNERS

- Safety, Health and Wellbeing
- Diversity & Inclusion
- Community Investment
- Talent Attraction, Retention and Training
- Stakeholder Engagement

PROPERTY PORTFOLIO

- Climate Change Resilience
- Sustainable & Efficient Operations
- Biodiversity & Habitat Protection
- Human-Centric Design, Flexible & Adaptable Properties
- Strategic Locations
- Sustainable Building Certifications

CORPORATE PERFORMANCE

- Financial Results
- Responsible Investments/Financing
- Corporate Governance
- Risk Management
- Disclosure & Reporting
- Investor Relations

2019 Awards and Achievements

LEED GOLD CERTIFICATION
Goyang Logistics Park
The U.S. Green Building Council, South Korea

WELL GOLD CERTIFICATION
Bucheon Logistics Park
International WELL Building Institute, South Korea

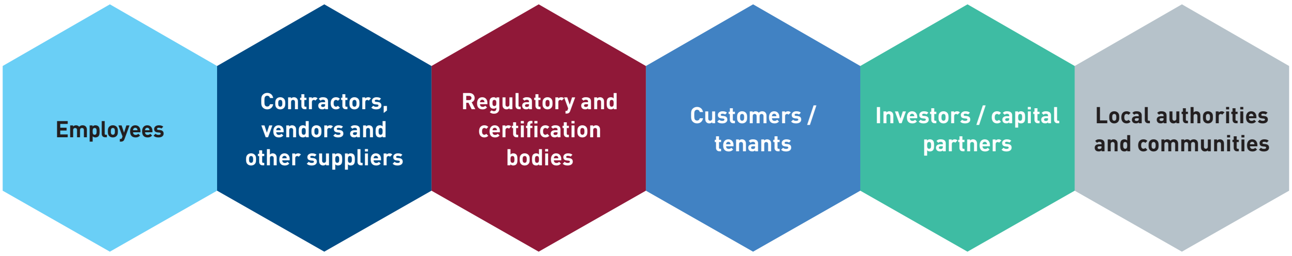
Bucheon Logistics Park has been recognised by the International WELL Building Institute (IWBI) for outstanding achievements in creating a work environment that promotes health and wellness.

We are proud to be recognised for our pursuit of sustainability excellence. For more information, refer to Awards & Accolades on Page 31 of this annual report.

People and Partners

We are committed to working closely with our stakeholders – both internal and external - to achieve shared business goals in accordance with our Core Values.

Key stakeholder groups



Constructive and effective stakeholder engagement is integral to our daily business activities, and in this regard, our property managers fulfil a particularly critical role because they are in charge of managing facilities and leases, collecting and responding to feedback from tenants, as well as operations, procurement and contracts management. They also work closely with third-party property management vendors to oversee security, cleaning, repairs, and other maintenance work in our buildings.

Our property managers are tasked with resolving inquiries from tenants and working with facility management staff to rectify concerns

ESR's Core Values

Group Human Resources Policy
The ESR Group Human Resources (HR) Policy covers our employment practices and approaches to workplaces, employee development, remuneration and benefits, and HR governance. The HR Policy serves as a reference guide for all regional offices to align behind a common set of values, processes and procedures. It is complemented by a suite of local policies that are specific to each market.

ESR Code of Conduct and Business Ethics
The ESR Code of Conduct and Business Ethics (Code) sets out the standards we expect every employee to uphold. We also have a Whistleblowing Policy in place to support anyone who comes forward with a query or complaint. More information is available in the Corporate Performance section of this ESG report.

Environmental, Social and Governance Report

Diversity & Inclusion

We are committed to fostering workplaces that embrace diversity and are free from discrimination on the basis of gender, race, religion, disability, marital status, sexual orientation, family status or any other personal characteristics.

Our growth story

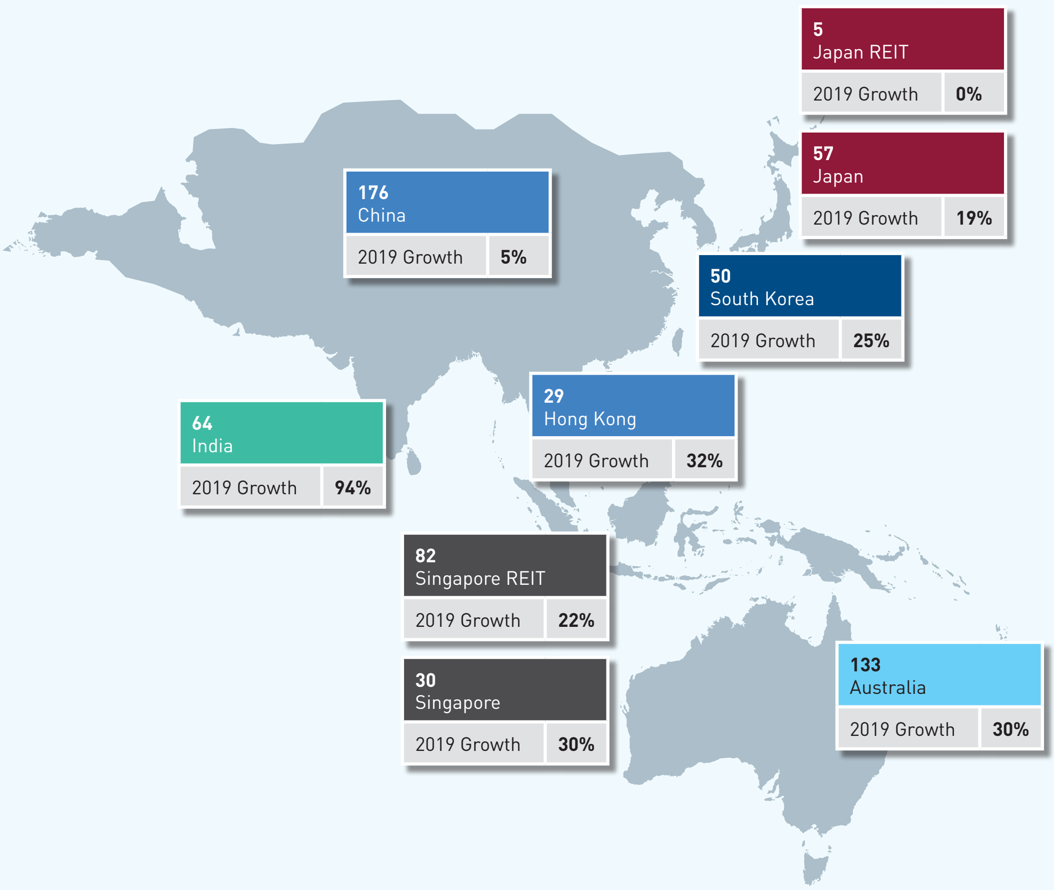
The expansion of our local offices throughout the region over the past year is paving the way for ESR to become a leading pan-APAC logistics real estate platform. We are in the process of consolidating and strengthening our growing network; combining our skills and learning from each market to apply best practices across our combined asset base.

626
Employees across six markets and corporate headquarters

62%
Under age 40

35%
Female participation rate (share of women in total workforce)

15%
Turnover



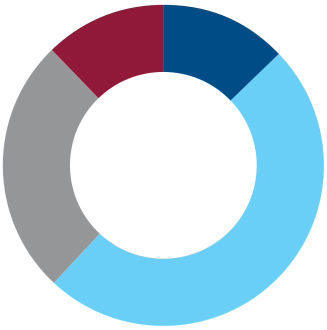
Our headcount is expanding in line with the growth of our business. In 2019, our total headcount increased by 119 people – up 23% from the year before.

Composition of our workforce

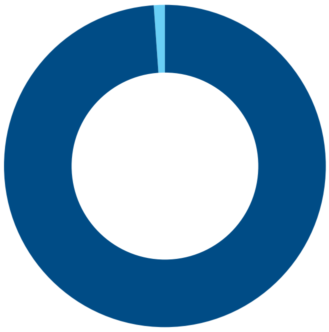
Our predominantly young and dynamic workforce complements the many years of industry experience represented by our Board and senior management.

At 35%, we recognise the low rate of women participating in our workforce compared to men, which reflects social and cultural norms for our industry in the APAC region. We are working to address this phenomenon, most notably in our newly established Hong Kong Headquarters, where women constitute 62% of employees at the corporate level, and at ESR-REIT Singapore, where women comprise 68% of employees.

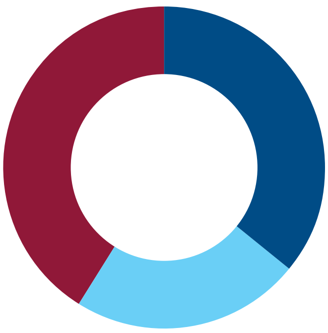
Total workforce by age group



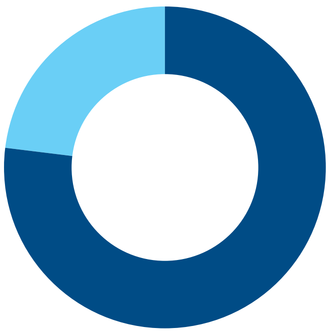
Workforce by employment type



Total workforce by seniority



Total workforce by contract type

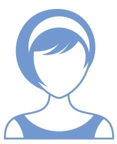


* Senior management includes Assistant General Manager, Senior Manager and above
* Middle management includes Manager and Assistant Manager

Gender Diversity

Female participation rate (share of women by level of seniority)

23% Senior Management



41% Middle Management

40% General and operational staff

Environmental, Social and Governance Report

Talent Attraction, Retention and Training

We aspire to be an Employer of Choice.
Our strategic priorities for human resource management reflect the reality that success of our business depends upon the skills and dedication provided by our people to serve our customers well and generate long-term sustainable returns for our investors.

Strategic HR Priorities

- Hiring the right talent for the right position
- Rewarding performance and desirable behaviours
- Investing in employee development
- Promoting employee engagement and retention
- Ensuring HR governance and compliance

Culture of Active Learning

We support our employees to progress on continuous learning journeys through formal training related to their roles and responsibilities, complemented by on-the-job skills development and experience. As such, our regional offices manage an annual budget to cover employee expenses for professional membership and examination fees, as well as reimbursements for participation in external training programmes and industry conferences.

In 2019, ESR Australia introduced a new Study Leave Policy providing practical and financial support for employees undertaking tertiary studies, including paid leave for attendance at lectures and tutorials or to complete course work and examinations.

ESG training topics

E
- Climate risk
- Greenhouse gas emissions
- Energy, water and waste
- Supply chain
- Environmental impacts

S
- Gender and cultural diversity
- Occupational safety
- Supply chain safety
- Health and wellbeing at work
- Local community impacts

G
- Compliance
- Managing conflicts of interest
- Prevention of discrimination and harassment

Career Progression

We want to enable our employees to excel in their current roles and support them to fulfil their career potential. We have performance management processes in place to facilitate timely and constructive dialogue between managers and their team members. In some markets, Annual Performance Reviews take place in June and December of each year. In addition, we encourage our employees to seek feedback from their managers at any time.

Key success factors for employee performance appraisal

1. Building Trust
2. Embracing Collaboration
3. Effective and Constructive in Communication
4. Striving for Excellence; Delivering Results
5. Innovative Problem Solving
6. Initiative and Taking Ownership
7. Ongoing Professional Development
8. Customer Focus

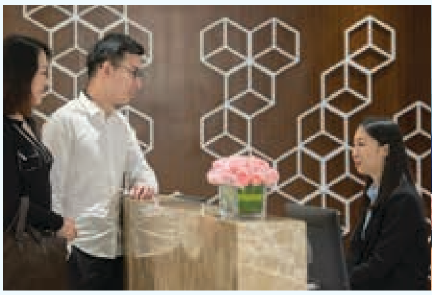
Our approach to succession planning and leadership development combines formal training, mentoring and exposure, feedback and coaching, and tailored on-the-job challenges.

Total Rewards Strategy
We adopt a holistic approach to incentivising our employees and rewarding their contributions to our business success. Base salaries should reflect individual performance as well as the market value of relevant skills and experience, and are reviewed annually. In addition to honouring all mandatory benefits defined in local employment laws and regulations, our regional offices have the discretion to offer additional benefits that will promote the health and wellbeing of our workforce. These range from paid vacation, medical, maternity and family leave, to medical and life insurance or contributions to retirement and social security schemes.

Employee Engagement
We conduct regular surveys to gauge the level of satisfaction of our employees and invite their feedback. In 2019, employees from our China, Japan and Singapore teams were invited to participate. We are in the process of implementing a new human resources management tool that will facilitate Group-wide participation in the future.

What makes ESR a great place to work? This is what our employees have to say...

COOPERATION
BETTER WORKING ENVIRONMENT
SENIOR LEADERSHIP
RELATIONSHIP
ATTITUDE
COMPENSATION
CHALLENGE
WORK-LIFE BALANCE



Investing in Tomorrow's Leaders, Today
We want to provide positive learning experiences that have lasting impacts on the lives of young people.

Through our Bursary programme at Singapore REIT, we offer financial support covering annual tuition fees and book allowances for outstanding secondary and college-age students. There are also unique opportunities for young people to intern with us during 3-month placements that are designed to provide them with hands-on experience and job-market skills under the direct supervision of senior-level mentors.

"#ESRREIT provided a conducive environment for me to learn and grow in many different aspects. It was initially not easy to manage the workload. However, with guidance from my mentors, I learned to prioritise and complete assignments on time."

2019 intern at ESR-REIT, Singapore

Environmental, Social and Governance Report

Safety, Health & Wellbeing

Safeguarding the health and safety of our employees and others with whom we work is a collective responsibility we take very seriously. We commit not only to providing safe workplaces but also to promoting the holistic wellbeing of our people with due consideration for the importance of healthy work-life balance.

Some of our local offices offer employees corporate discounts for doctors' appointments and gym memberships as well as voluntary participation in regular group exercise activities. In Japan and Singapore, our employees undergo annual health screenings in accordance with local regulatory requirements.

GROUP-WIDE OHS INITIATIVES

- Operating standards and procedures to increase work safety awareness
- Medical benefits
- Clean and hygienic work environment

POLICIES AND PROCEDURES OF LOCAL OFFICES

- Fire safety training and emergency preparedness
- Office entrance access and security control
- Housekeeping of office facilities and first aid box
- Ergonomics guidelines
- Business travel security

We work closely with our supply chain to ensure that employees of our contractors enjoy the same standards of protection as we expect for our own people.

The following lists some of the protection standards we expect from our contractors to promote site safety during construction and renovation activities:

- Availability of medical personnel at all times
- Communicating safety information in a clear and transparent manner (daily meetings, posters, banners, etc.)
- Continuously improving safety performance through ongoing safety monitoring
- Demonstrating and encouraging safety leadership
- Entrenching safety practices and fostering a safety culture
- Managing safety risks using leading and lagging indicators
- Providing appropriate personal protective and life saving equipment
- Promoting design for safety
- Designing and implementing a safety training curriculum

Impact of COVID- 19

As we go to press with this report, we have been closely monitoring development of the COVID-19 situation throughout the APAC region over the past few months. We prioritise the wellbeing and safety of our stakeholders—including employees, tenants, vendors, capital partners and local communities—above all else.

We have implemented protective and preventative measures throughout the Group, including additional cleaning of public areas and washrooms, and adequate provision of hand sanitizers. In addition to providing masks and gloves for our building management staff, we are conducting temperature checks on all building occupants, including employees, tenants, contractors and visitors.

Customer Engagement

In addition to meeting and exceeding traditional expectations of our logistics customers, we add value for our tenants through innovative approaches to creating "human-centric" spaces.

We engage our customers through regular surveys to better understand their needs and preferences. ESR-REIT in Singapore has recently established a 24-hour call centre to field queries from tenants and arrange follow-up for immediate resolution.

In 2019, our property management team in Australia surveyed nearly half of tenants. Among other issues, they sought to gauge support for sustainability initiatives, specifically energy-efficiency improvements and renewable power generation. More than one third of respondents expressed interest in exploring options for reducing their energy consumption, and close to 20% favoured investment in solar power installations.

Beautiful Family-friendly Spaces Boost Workplace Productivity in Japan

6
Day care centres

650 children
Daily capacity

8am - 7pm
Mondays to Fridays

ESR Barnklübb Ichikawa is a 79sqm facility opened in June 2019. Three full-time professional caregivers supervise 13 children who are currently enrolled in the day care programme.

When we ask our customers in Japan about barriers to growing their businesses and improving the wellbeing of their employees, we frequently hear that lack of quality child-care facilities feels like an unsurmountable problem. So in recent years we have come up with an innovative solution.

In each of our distribution centres exceeding 100,000 sqm, we have decided to establish bright and beautifully equipped kids clubs, known as Barnklübbs. These facilities are run by licensed day-care providers, offering convenient and high-quality services that are free-of-charge for employees of our tenants. This not only helps our customers to attract and retain the talent they need – particularly working mothers – but also increases the productivity of their workforce.

To extend the benefits of these facilities to others in our community, we operate an online system for parents in the local area to book surplus spaces on a first-come first-served basis. In 2018, ESR Japan received the Social and Environmental Contribution award from British Business in recognition of its commitment to enhancing the workplace environment and supporting mothers to re-enter the workforce.

"In Japan, the key social development concerns relate to demographic issues and gender. That's why we have created dedicated facilities providing childcare services in our warehouses."

Stuart Gibson, ESR Co-founder and Co-CEO

Environmental, Social and Governance Report

Corporate Social Responsibility

An important element of our corporate culture is giving back to the communities in which we operate.

Our regional offices participate in a range of volunteering and fund-raising activities to support environmental and social causes in partnership with local organisations. In accordance with our Code of Conduct, all charitable donations and sponsorships provided by the Group must be compatible with our commitment to operating in an ethical manner, and prior approval must be obtained from our Legal and Compliance departments.

In India, our corporate sustainability initiatives focus on promoting health, hygiene and education to uplift the livelihoods of local communities and migrant workers living in the vicinity of our logistics parks. In addition to building sanitation facilities in nearby villages and schools as part of the Prime Minister's Swach Bharat initiative, we have also helped to establish and run small dispensaries stocking basic medical provisions.

On education, we work with local communities to reduce the dropout rate for girls in school by providing them with academic and material support. Our ESR Smart Program equips local schools with computer centres and high-speed Wi-Fi connections to give underprivileged children the opportunity of early exposure to technology. We also offer scholarships for high-performing graduates from local secondary schools to attend higher education.

"In India, education and gender are big social issues so we are involved in libraries and schools as well as empowering women."

Abhijit Malkani, Country Head, India Platform

In South Korea, several representatives from our regional office attend bimonthly volunteering sessions at a local orphanage, serving over 60 hours of community service in 2019. Meanwhile, our colleagues in Australia have participated in a number of activities over the past year, such as fun-runs, tree-plantings and preparing meals for homeless people and youths who live on the street.

Supporting Good Quality Education for All

Since 2016, ESR has worked closely with China Red Cross and other organisations to support the Qin Charity Fund (QCF) fulfil its mandate of expanding access to modern educational opportunities for children in rural China.

This national initiative spans 13 provinces and municipalities, raising funds and coordinating resources to create "future classrooms" in rural communities. Over the past 3 years, volunteers from ESR have helped to construct 5 classrooms utilising the latest technologies and digital resources, and participated in office charity events to raise money for classroom equipment. These facilities are helping to equip more than 3,000 students with essential skills for employability in the future economy.

The QCF provides teachers from participating schools with tools, materials and training for technology uptake. In 2019, it hosted its second Principals' Forum attended by representatives from all over the nation, and launched a new "5C" future classroom curriculum.

Qin Charity Fund KPIs

62
Future Classrooms

>50,000
Student Beneficiaries

RMB5.89M
Invested

>100,000
Books Donated

"Nurturing talent is crucial for sustainable growth of the new economy. Our goal is to build a platform that provides students in rural areas with equal and diversified learning opportunities, enabling them to widen their vision, gain knowledge and develop valuable life skills."

Jinchu Shen, ESR Co-founder and Co-CEO

Environmental, Social and Governance Report

Property Portfolio

ESR demonstrates environmental stewardship by developing and maintaining sustainable and efficient buildings.

We optimise the sustainability features of new and existing logistics facilities through green design initiatives. Our properties are positioned strategically to minimise impacts on land use change and biodiversity, while providing sustainable development opportunities for local communities.

Sustainable & Efficient Operations

Across our operations, we focus on continuous improvement by always striving to do more with less.

Our goal is to develop and manage energy and resource-efficient buildings. Through innovations like energy-efficient lighting, water management, waste recycling and roof-mounted solar panels, we are able to reduce operating costs for our customers as well as our own impacts on the environment.

In the aftermath of the Fukushima nuclear disaster in 2011, ESR made energy sustainability a priority for our Japan portfolio by aggressively developing rooftop solar plants under the Japan Government's Feed-In Tariff (FIT) Solar Program. Securing project finance for rooftop solar systems in this market has been a major challenge because roof rights often fall short of the compliance standards adopted by funds outside of Japan.

Solar power generation in 2019

In Japan, we have a robust pipeline of rooftop solar power initiatives providing a total of 50MW of clean energy installed capacity. We aspire to become the first logistics fund in Japan to operate grid-independent clean energy distribution centers.

In Australia, we have installed energy-efficient lighting in 12 properties, representing 23% of our portfolio by GFA.

CHINA	JAPAN	SOUTH KOREA	ESR-REIT SINGAPORE
4 assets (316,000 GFA)	13 assets (1.15 M GFA)	2 assets (350,000 GFA)	5 assets (142,000 GFA)
5 GJ	18 GJ	1 GJ	1 GJ

Energy-efficient lighting

Opportunities to implement design improvements in our logistics facilities are constrained when we are not the original developer, but it is still possible to make a difference. For instance, ESR-REIT Singapore has achieved energy savings through a light-fitting replacement programme in 60% of its directly-managed portfolio. Similar initiatives are in progress in the remainder of its properties.

New construction projects and refurbishments

The selection of mechanical, electrical, plumbing (MEP) systems and equipment plays a crucial role in determining our buildings' energy and water performance. We equip our new developments with resource-efficient technology such as LED lighting, comprehensive waste water and waste management systems, expansive green areas, and, wherever possible, rooftop solar panels.

We also emphasise procurement of materials sourced in a responsible way in order to have less impact on the environment and provide healthy indoor spaces for our occupants.

Considerations that feature in our approach

1 Site selection

- Connectivity
- Enhancement or remediation of brownfield areas
- Avoidance of environmentally sensitive areas

2 Owner Program Requirements and Basis of Design

- Compliance with governing codes and legislation
- Adoption of green building standards

3 Integrative Design

- Energy-related features (site conditions, orientation, insulation, lighting and thermal comfort range etc.)
- Water-related features (indoor, outdoor and process demand, supply sources etc.)

4 Sustainable Building features

- Visual comfort (glare, lighting control)
- Health and wellness (natural ventilation)
- Resilience to natural hazards and climate change
- Resource-efficient MEP systems
- Sustainable materials

Energy Efficiency

Natural day light ≥75% of regularly occupied floor area	**Rated lamp life** ≥24,000 hours for ≥75% total connected lighting load	**Lighting controls** ≥90% individual occupant spaces	**Thermal comfort controls** ≥50% individual occupant spaces
Hot water systems Self-contained systems ≥85% efficiency	**Energy metering** Individual energy end uses representing ≥10% of total building consumption	**Green energy sourcing** Renewable grid or energy with less carbon emissions, if available	**Onsite renewable energy** Biofuels, geothermal, hydro, solar/photovoltaic, or wind

Water Conservation

Native plants that require less water; **Drip-fed, smart subsurface irrigation** systems with soil moisture sensors	**Management of cooling tower water** to maximise recirculation cycles and reduce water consumption	**Alternative water sources**, including treated wastewater or stormwater for non-potable applications	**Water-efficient amenities** e.g. WaterSense label (US EPA) and LEEDv4 (fixture and fitting code requirements)

Sustainable Materials

Low-emitting materials to reduce ambient concentrations of chemical contaminants	**Legally harvested and traded timber** and products containing high recycled content	**Green product certifications** e.g. Carpet and Rug Institute Green Label Plus and FloorScore	**Locally extracted or manufactured** products

5 Construction process

- Erosion and sediment control
- Construction and demolition waste management
- Management of construction indoor air quality

6 Asset Management

- Detailed site management of grounds and building exterior
- Ongoing management of environmental impacts (energy, water, waste)
- Green cleaning products and materials
- Integrated pest management
- Occupant comfort survey

Environmental, Social and Governance Report

Flexible & Adaptable Properties

ESR offers more than logistics facilities; we create integrated solutions to maximise our customers' logistics efficiency and support their expansion.

We build or acquire logistics facilities in strategic locations with a view to refurbishing, expanding, modernising or redeveloping them into flexible and adaptable properties that meet the needs of the people who use them; every day, for years to come.

Designed with occupants in mind

We select our sites to facilitate active transit, such as walking, cycling or using public transportation. Occupant wellbeing assessments inform our design approach for new construction and refurbishment projects, with the goal of optimising active design features, daylight access, and other amenities and services that improve the usability and comfort of our buildings for their occupants.

- **Optimal space utilisation** with large floor plates, high ceilings and wide column spacing
- **Highly efficient loading** and parking areas featuring comprehensive safety designs
- **Secure storage** with continual surveillance, adequate ventilation and fire-fighting features
- **Customisable features**, including office space, air-conditioning and refrigeration/ freezing facilities
- **Active design features** such as staircases that easily accessible and aesthetic
- **Active transit** provision, including bicycle storage and shower and locker facilities

Built to last

Our buildings are designed, constructed and maintained to limit material degradation due to environmental factors. Examples of relevant measures include raised kerbs in delivery and vehicle drop-off areas, robust external wall construction, impact protection on doors and corridors, and hard-wearing floor finishes in heavily used areas.

Climate Change Resilience

In some markets, we undertake comprehensive risk assessments to identify potential natural hazards for our properties, including threats of a geological origin (such as volcanic eruptions, earthquakes, tsunamis and landslides) as well as climatic or meteorological risks (such as floods, draught, typhoons or wild fires).

We acknowledge that climate change poses significant risks for sustainable development of our business throughout the Asia Pacific region due to the impact of global warming and acute effects from extreme weather events. ESR supports the Paris Agreement, which aims to decarbonise the global economy by promoting clean technologies and less carbon-intensive products and services. This process will give rise to transition risks as well as opportunities for our sector.

315 Cooper Street, Epping, Melbourne, Australia

Adapting to Climate Risks and Opportunities

With its arid environment and recent experience of devastating wild fires, Australia is at the forefront of the global climate change crisis. Our ESR Australia team is taking action by developing a climate risk assessment framework to help identify, evaluate and manage risks for our portfolio while capitalising on strategic opportunities to increase resilience and strengthen our business.

The framework, which is anticipated to roll-out in mid-2020, will make use of weather data, climate modelling and online mapping tools. It will be incorporated into our existing Environmental Management System to guide day-to-day asset and property management decisions and reporting, including investment selection, building design, construction and refurbishment.

"We view the Climate Risk Assessment framework as an important step for enhancing transparency and developing a robust in-house management system to address climate-related risks and build resiliency across our business."

Robert Ewing, Head of Asset Management, ESR Australia

Environmental, Social and Governance Report

Strategic Locations

Our assets are strategically located in close proximity to established transportation networks in order to optimise import and export logistics as well as domestic market distribution for our customers. This has the important advantage of helping our customers to reduce their environmental footprints from transporting workers and products.

For more information, refer to Overview of ESR on pages 10 and 11 of this annual report.

Sustainable Building Certifications

In addition to fulfilling local health, safety and environmental regulations, some of our facilities take compliance one step further by obtaining certification in accordance with globally recognised standards, such as Leadership in Energy and Environmental Design (LEED) and the Comprehensive Assessment System for Built Environment Efficiency (CASBEE) in Japan.

Certified Green Buildings in 2019

					Australia	India	Japan	South Korea	Singapore
Certification standard	LEED Platinum	LEED Gold	LEED Silver	LEED Certified	NABERS	IGBC pre-certification Silver	CASBEE "A"	Green Building	BCA Green Mark
Number of certified assets	1	8	2	3	9	2	18	2	5
GFA (sqm)	42,308	988,150	172,960	452,648	94,570	289,343	1,394,821	504,730	210,424

Bucheon Logistics Park, South Korea

Human-centric Places in which People and Businesses Thrive

We are committed to promoting the health and wellness of our building occupants by enhancing the workplace environment and improving building performance.

The recent attainment of WELL Gold certification for our flagship building in South Korea, Bucheon Logistics Park, is a testament to our pursuit of quality. The International WELL Building Institute (IWBI) is leading the global movement to transform our buildings and communities in ways that help people thrive. The WELL building standard is an internationally recognised, evidence-based rating system to evaluate the impacts of buildings on human health and wellness.

Bucheon exemplifies our approach to designing, building and maintaining human-centric places. In addition to featuring a range of building design and programming features to improve the workplace environment, at this location we engage the services of professional nutritionists to serve up a healthy menu for our tenants to enjoy, including a daily selection of fresh fruits and vegetables.

Clean Air
- Air purifiers with carbon filters
- Real-time air quality monitoring
- Dust control systems

Clean Water
- Drinking stations
- Carbon, RO and UV filters for all drinking water

Good Light
- Lighting design to minimise circadian phase disruption
- Building-wide glare controls

Right Temperature
- HVAC systems maintain comfortable levels of humidity
- Thermal controls to meet individual preferences

Ergonomics
- Height-adjustable computer and laptop stands facilitate working while standing

Corporate Performance

We live in a world where the rules governing business conduct are complex and becoming more demanding over time.

Violation of these rules could have serious consequences not only for our business, but also personally for each individual involved. We put in place stringent measures to protect the reputation of the Group and everyone who works with us – such as thorough screening to ensure the integrity of our employees, suppliers, customers and capital partners; and refraining from dealings with any third-party associated with organisations or countries that are restricted by law or sanctions.

Responsible Investment

We are committed to investing responsibly, which requires incorporating ESG factors into all investment decision-making and active ownership of our assets.

We aim to act in the best long-term interests of our stakeholders. In this role, we believe that ESG issues can and will affect the performance of our investment portfolios. We endorse the United Nation's Principles for Responsible Investment as a voluntary and aspirational set of goals for aligning our investment practices with broader objectives for sustainable development giving rise to a more prosperous future for all.

Our Approach to Responsible Investment

ESG Incorporation	ESG Stewardship
Incorporating ESG risk management issues into investment analysis and decision-making	Seeking disclosure on ESG issues by entities in which we invest

Environmental, Social and Governance Report

Corporate Governance

ESR is built on a solid foundation of Core Values, which include Integrity & Respect. We take our ethical obligations seriously and expect our stakeholders to do the same.

We have robust due diligence, human resources, asset development and asset management processes and procedures in place to manage risk and create value for our stakeholders. There are five key elements to our Corporate Governance Structure, which starts with the Board—our highest governance body—and cascades throughout our network of offices and business relationships.

Five Elements of our Corporate Governance Structure

1 BOARD OVERSIGHT

- Our Board of Directors is responsible for and has general powers over management and conduct of our business
- The Board oversees overall risk control; any significant business decisions involving material risks are reviewed, analysed and approved at Board level

2 INDEPENDENT THIRD PARTIES

- We engage qualified, reputable and independent third parties to assist us in managing our operational risks; as required
- We minimise the risk of conflict of interest and fraud with support of independent third parties such as fund administrators

3 INTERNAL CONTROLS

- All employees receive training on Group and regional office policies and guidelines appropriate to their roles and locations
- We review our internal control measures on a continuing basis
- Group and local office policies and guidelines are reviewed and updated regularly to reflect operational needs

4 IT PLATFORM

- ComplySci is our new online compliance management platform being rolled out across all offices; it automates manual compliance processes and allows us to track performance more efficiently
- We implement an e-learning platform set up by Thomson Reuters

5 CORPORATE CULTURE

- We foster a corporate culture of responsibility and integrity
- Employees are encouraged and supported to speak up if they have concerns
- We have zero tolerance for misconduct and undertake disciplinary action, as appropriate

ESR Group policies and guidelines set the tone and direction for a unified approach to Governance while providing flexibility for our regional offices to adapt and amend their implementation in accordance with local circumstances, laws and regulations. During the year, our Australian operations responded proactively to developments in their local market by adopting additional measures on data privacy and anti-slavery.

CORE POLICIES

ESR GROUP CODE OF CONDUCT AND ETHICS	ANTI-BRIBERY & ANTI-CORRUPTION (ABAC) AND THE HANDLING OF GIFTS, TRAVEL & ENTERTAINMENT POLICY	ANTI-MONEY LAUNDERING (AML) & COUNTER-TERRORIST FINANCING (CTF) POLICY	WHISTLEBLOWING POLICY
Objectives			
• Establish fundamental principles covering a wide range of business practices • Promote discipline, good conduct, professionalism, loyalty, integrity and cohesiveness	• Compliance with ABAC law, including United States (Foreign Corrupt Practices Act) • Procedural defence against prosecution in some jurisdictions, as applicable	• Compliance with AML and CTF regulations in all jurisdictions • Implementation of Recommendations from the Financial Action Task Force	• Prevention and deterrence of fraud, bribery and corruption, abuse of authority, discrimination and harassment, breach of legal requirements and violations of our Code
Mechanisms			
• Annual requirement for all employees to sign the Code of Conduct and Business Ethics Attestation Form	• Clear identification of prohibited acts for employees and third parties • Overview of requirements per jurisdiction	• Establishing the true and full identity of each client • Transaction monitoring • Enhanced measures for higher-risk clients	• Mechanism for making reports • Protection of whistleblowers • Procedures for investigation and disciplinary action
Training			
We provide training on all core policies for new employees via an e-learning course to ensure that they are aware of their personal obligations.			

ADDITIONAL POLICIES

ESR GROUP INFORMATION SECURITY POLICY (under development)	ESR GROUP COMMUNICATIONS GUIDELINE	Privacy Policy (adopted by ESR Australia in 2019)	Modern Slavery Policy (adopted by ESR Australia in 2019)
Objectives			
• Preserve the confidentiality, integrity, and availability of information	• Comply with disclosure requirements in accordance with prevailing best practices	• Comply with the Privacy Act (including the Australian Privacy Principles)	• Comply with applicable legislation, including the Modern Slavery Act 2018 (Commonwealth Act) • Eliminate modern slavery, including forced labour and child labour, among others
Mechanisms			
• Information security framework and management system • General requirements on human resources, information asset management, security, supplier relationships and business continuity	• Review and approval of all external communications • Procedures for critical communications, media enquiries, internal communications and use of social media • Standardisation of writing style	• Physical, electronic and managerial procedures to protect information from misuse, interference, loss and unauthorised access, modification and disclosure • Implementation of security measures	• ASO ISO 31000:2018 risk management system (risk identification, analysis, evaluation, treatment and assessment of controls) • Annual reporting with first statement due no later than 30 June 2021

Environmental, Social and Governance Report

Risk Management

In 2019, we prioritised harmonisation and strengthening of our approach to compliance across all markets. We are, for example, in the process of migrating to a new online compliance management platform known as ComplySci, which is being rolled out in all offices to fully automate our compliance processes and monitor performance.

Compliance Reboot on Third Party Risk

3
Key Risk Criteria Highlighted for Our Business

3,716
Third Parties Screened

67
Vendors Flagged for Review and Deeper Investigations by Our Regional Offices

On a daily basis, our colleagues interact with thousands of third-party vendors, including suppliers, contractors, agents, intermediaries, joint venture partners, representatives or consultants. Management of third-party risk is a truly integral part of our business.

In 2019, we hired an independent consultant to help us establish a centralised system for evaluating, managing and mitigating third-party risks across the Group. As part of this process, we completed a company-wide risk assessment with reference to 23 criteria in four risks categories, namely Antitrust & Corruption, Employment & Safety, Environment, and Cyber Security & Business Stability.

In the next phase of this project, we will develop and implement a systematic approach to on-boarding and monitoring all business partners, including investment in a third party risk management (3PRM) platform in early 2020.

“To be as transparent as water: This is the standard to which we must hold all of our business relationships in order to establish ourselves as leaders on good governance and compliance.”

Group Compliance

Disclosure & Reporting

ESR has participated in GRESB—the leading investor driven organisation assessing the sustainability performance of real asset sector portfolios and assets—since 2014. In 2019, our GRESB submissions covered seven unlisted portfolios in Australia, China, Japan and South Korea. The scores reveal opportunities for better alignment across the Group, particularly concerning Governance. We have engaged an independent consultant to assist us on achieving this objective in 2020.

GRESB Scores in 2019

	Propertylink Australian Industrial Partnership (Australia)	Propertylink Trust (Australia)	e-Shang Star Cayman Ltd (China)	Redwood China Logistics Fund LP (China)	Redwood Japan Logistics Fund II LP (Japan)	PGGM RJLC LP (Japan)	Kendall Square Logistics Properties Inc. (Korea)
Overall GRESB score	53	53	55	54	67	64	88
ESG score breakdown							
• Environment	45	45	59	52	79	67	76
• Social	45	45	62	60	62	62	95
• Governance	80	80	49	55	63	64	91
Peer group	Australia Industrial Dist. Warehouse	APAC Diversified Office/ Industrial	Developer Industrial Dist. Warehouse	Eastern Asia Industrial Dist. Warehouse Non-listed	Developer Industrial Dist. Warehouse	Developer Industrial Dist. Warehouse	Developer Industrial Dist. Warehouse
ESR peer ranking	6th	7th	7th	7th	4th	5th	2nd

About this report
Thank you for reading this ESG report, which complies with relevant provisions from HKEX Main Board Listing Rule 13.91 and ESG Reporting Guide. In line with international best practices, we have also made reference to GRI Standards.

For details, please refer to the Content indices on the following pages .

We welcome your feedback. Please contact us at esg@esr.com

Environmental, Social and Governance Report

ESG Data Summary 2019

Metrics	Total	China	Hong Kong (headquarters)	Japan	Japan REIT	South Korea	Singapore	Singapore REIT	Australia	India
Number of Employees (% increase year on year)										
Total	626 (23%)	176 (5%)	29 (32%)	57 (19%)	5 (0%)	50 (25%)	30 (30%)	82 (22%)	133 (30%)	64 (94%)
Male	410	114	11	16	4	37	20	27	107	50
Female	216	61	18	41	1	13	10	55	26	14
Full time	617	176	29	57	5	50	30	82	125	64
Part time	8	0	0	0	0	0	0	1	8	0
Under 30 years	82	20	1	2	1	6	3	10	31	8
30's	307	113	16	9	0	26	16	43	50	34
40's	162	40	8	26	1	14	8	20	27	18
50 years and over	75	3	4	20	3	4	3	9	25	4
Number of Leavers (% Turnover rate [1])										
Total	96 (15%)	12 (7%)	5 (17%)	4 (7%)	0	5 (10%)	2 (7%)	18 (22%)	46 (35%)	4 (6%)
Male	46 (7%)	9	0	3	0	4	1	3	23	3
Female	50 (8%)	3	5	1	0	1	1	15	23	1
Under 30 years	17 (3%)	2	0	0	0	0	1	3	11	0
30's	48 (8%)	7	5	1	0	3	1	9	18	4
40's	16 (3%)	3	0	2	0	2	0	5	4	0
50 years and over	15 (2%)	0	0	1	0	0	0	1	13	0
Number of New Hires (% Hire rate [1])										
Total	216 (35%)	21 (12%)	12 (41%)	12 (21%)	0	15 (30%)	9 (30%)	35 (43%)	77 (58%)	35 (55%)
Male	131 (21%)	13	4	9	0	12	6	10	51	26
Female	85 (14%)	8	8	3	0	3	3	25	26	9
Under 30 years	44 (7%)	4	1	1	0	2	2	5	23	6
30's	111 (18%)	12	8	3	0	10	5	23	28	22
40's	39 (6%)	3	1	5	0	3	2	6	14	5
50 years and over	22 (4%)	2	2	3	0	0	0	1	12	2
Occupational Health & Safety										
Work-related fatalities	0	0	0	0	0	0	0	0	0	0
Lost days due to injury	0	0	0	0	0	0	90	4	0	0

Metrics	Units	Total	China	Japan	South Korea	Singapore	Australia	India
Scope of ESG report	# assets	271	84	26	31	57	61	12
	GFA ('000 sqm)	15,180	5,665	3,180	2,899	1,405	804	1,226
Certified sustainable buildings (various international and national standards)	# assets	47	6	18	6	6	9	2
	GFA ('000 sqm)	3,546	420	1,395	1,094	253	95	289
Energy								
Directly managed [2]	# assets	132	54	13	16	26	22	1
	GFA ('000 sqm)	7,020	3,438	1,132	1,244	831	307	68
District heat	000 GJ	78	38	-	40	-	-	-
Grid purchased electricity	000 GJ	1,536	249	96	176	681	47	288
Fuels	000 GJ	0.1	0.1	-	-	-	-	-
Rooftop solar power	# assets	25	4	13	2	5	1	0
	000 GJ	95	20	66	4	5	No data	0
Total Energy	000 GJ	1,709	306	162	220	686	47	288
Emissions								
Greenhouse gas emissions [3] (Scope 2 from grid purchased electricity only)	'000 TCO2e	246	59	13	25	79	11	59
Water								
Directly managed [2]	# assets	154	54	13	14	26	46	1
	GFA ('000 sqm)	7,286	3,438	1,162	1,192	831	643	20
	Megalitre	2,147	737	60	90	977	282	1
Non-hazardous Waste								
Directly managed [2]	# assets	88	53	0	15	18	2	0
	GFA ('000 sqm)	5,037	3,345	0	1,043	641	8	0
	000 Tonnes	14	11	0	0.2	2	0.1	0

Notes:
1 The denominator for all rate calculations in the Total column is the Total Number of Employees. The denominator for all rate calculations by geographical region is the Total Employees in each region, respectively.
2 We disclose environmental impacts of properties under our direct management i.e. those over which we have 'operational control.'
3 Location based Scope 2 greenhouse gas emissions have been calculated for consumption of grid purchased electricity as follows:

	China	Japan	South Korea	Singapore	Australia	India
Grid emission factor ($kgCO_2e/kWh$)	Central 0.9014; South 0.8367; East 0.8046; West 0.9155; North 0.9680	0.4916	0.517	0.4188	0.8	0.7429

Environmental, Social and Governance Report

HKEX ESG CONTENT INDEX 2019

This ESG report complies with the "Comply or Explain" provisions in Hong Kong Exchange Main Board Listing Rule 13.91 and ESG Reporting Guide. Some optional KPIs have also been disclosed.

Provisions	Location of Disclosures and additional information
Aspect A1: Emissions and waste Policies & compliance; KPIs: A1.1, A1.2, A1.4, A1.5 & A1.6	**Property Portfolio: Sustainable & Efficient Operations; ESG Data Summary** *KPI A1.1/A1.2: We consume a negligible quantity of stationary and mobile fuels in our operations, hence local air emissions and Scope 1 Greenhouses Gases are negligible.* *KPI A1.3: We were not able to collect data on disposal of hazardous waste during this reporting period so this data is not available for disclosure.*
Aspect A2: Use of resources Policies; KPIs: A2.1, A2.2 & A2.3	**Property Portfolio: Sustainable & Efficient Operations; ESG Data Summary** *KPI A2.4: We did not experience issues in sourcing water that is fit for purpose during the reporting period.* *KPI A2.5: We do not collect data on packaging materials; this data is not available for disclosure.*
Aspect A3: Environment and natural resources Policies; KPI: A3.1	**Property Portfolio: Sustainable & Efficient Operations; Strategic Locations; Sustainable Building Certifications**
Aspect B1: Employment Policies & compliance; *Optional KPIs: B1.1 and B1.2*	**People & Partners: Diversity & Inclusion; ESG Data Summary** We complied with relevant employment and labour laws and regulations in all material aspects in 2019.
Aspect B2: Health and safety Policies & compliance; *Optional KPIs: B2.1 and B2.3*	**People & Partners: Safety, Health & Wellbeing; ESG Data Summary** We complied with relevant health and safety laws and regulations in all material aspects in 2019.
Aspect B3: Development and training Policies	**People & Partners: Talent Attraction, Retention & Training**
Aspect B4: Labour standards Policies & compliance; *Optional KPIs: B4.1 and B4.2*	**Corporate Performance: Risk Management** *KPI B4.2: There have been no incidences of child or forced labour discovered.*
Aspect B5: Supply chain management Policies	**Corporate Performance: Risk Management**
Aspect B6: Product responsibility Policies & compliance	**Corporate Performance: Corporate Governance** We complied with relevant laws and regulations concerning product responsibility in 2019, including advertising, labelling and privacy matters.
Aspect B7: Anti-corruption Policies & compliance; *Optional KPI: B7.2*	**People & Partners: Introduction; Corporate Performance: Corporate Governance** *KPI B7.1: There were no concluded legal cases concerning corruption during the reporting period.*
Aspect B8: Community investment Policies; *Optional KPIs: B8.1 and B8.2*	**Corporate Performance; Corporate Social Responsibility**

GRI Content Index 2019

This ESG Report makes reference to several GRI Standards as summarised in the following table.

GRI Standards		Location of Disclosures
Energy		
GRI 103: Management Approach 2016		Property Portfolio: Sustainable & Efficient Operations
GRI 302: Energy 2016		
302-1	Energy consumption within the organization	ESG Data Summary
Employment		
GRI 103: Management Approach 2016		People & Partners: Diversity & Inclusion; Talent Attraction, Retention and Training
GRI 401: Employment 2016		
401-1	New employee hires and employee turnover	ESG Data Summary
Diversity & Equal Opportunity		
GRI 103: Management Approach 2016		People & Partners: Diversity & Inclusion; Talent Attraction, Retention and Training
GRI 405: Diversity & Equal Opportunities 2016		
401-1	Diversity of governance bodies and employees	ESG Data Summary, Annual Report pages 22-27

Jiangsu Friend – I Logistics Park, Kunshan, China

FINANCIAL CONTENTS

Directors' Report

The Board is pleased to present this report together with the consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Group is the largest Asia Pacific focused logistics real estate platform by gross floor area and by value of the portfolio assets. In the course of the year ended 31 December 2019, the Group was principally engaged in (i) the development, construction and sale of completed properties; (ii) the management of the underlying assets on behalf of its capital partners via the funds and investment vehicles it managed; and (iii) the investment in completed properties, co-investment in the funds and investment vehicles and the public REITs it managed, and other investments. The activities of its principal subsidiaries and joint ventures are set out in note 1 and note 15 to the Consolidated Financial Statements.

SHARE CAPITAL AND SHARES ISSUED BY GLOBAL OFFERING

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14 June 2011 under the Companies Law of the Cayman Islands (the "Cayman Companies Law"). Its securities were listed on the Stock Exchange on 1 November 2019 by way of Global Offering and it issued 280,140,000 ordinary shares in the Global Offering (the "Listing").

Details of the movements in the share capital of the Company and the shares issued during the reporting year are disclosed in note 41 to the Consolidated Financial Statements.

BUSINESS REVIEW

A fair review of the Group's business, a discussion about the principal risks and uncertainties facing the Group, and an indication of likely future development in the Group's business are detailed in the sections headed "Operations Review" and "Financial Review" on pages 40 to 49 and "Message from Chairman" and "Message from CEOs" on pages 14 to 21 of this annual report.

RESULTS

The financial results of the Group for the year ended 31 December 2019 are set out in the Consolidated Financial Statements of the Group on pages 123 to 238 of this annual report.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group as at 31 December 2019 are set out in note 26 to the Consolidated Financial Statements.

RECOMMENDED DIVIDEND

The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil).

DIVIDEND POLICY

The Company currently intends to retain most, if not all, of its available funds to operate and expand its business. The Company's long term objective is to deliver returns to shareholders that is sustainable and in line with the long-term growth of the Company. Subject to maintaining an optimal capital structure to ensure that adequate capital resources are available for business growth and investment opportunities, the Board will continue to evaluate the merits and timing of future dividend payments.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last four financial years is set out on pages 239 to 240 of this annual report. The summary does not form part of the audited Consolidated Financial Statements.

USE OF NET PROCEEDS FROM LISTING

The Company´s Shares were listed on the Stock Exchange on 1 November 2019 by way of Global Offering and the net proceeds raised (after deduction of the underwriting fees and commissions and relevant expenses) from the listing of the Company on the Stock Exchange was approximately HK$4,461.5million (approximately US$570million). We have utilised approximately US$404million for repayment of Hana Notes and redemption of the previously unconverted Class C Preference Shares, and will continue to utilise the net proceed from the Global Offering in accordance with the purposes set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 22 October 2019 ("Prospectus").

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is devoted to delivering a better and sustainable environment for the future of the society and the development of the Company. Details of our environmental policies and performance are disclosed in the "Environmental, Social and Governance Report" on pages 68 to 95 of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group complied with requirements under the Companies Ordinance, Securities and Futures Ordinance ("SFO") and the Listing Rules. The Company also complied with other relevant laws and regulations that have a significant impact on the Company, including but not limited to the Cayman Companies Law, the Company Law of the People's Republic of China (the "PRC"), the Wholly Foreign-owned Enterprise Law of the PRC, the Equity Joint Venture Law of the PRC, Asset Liquidation Act of Japan, Financial Investment Services and Capital Markets Act of the South Korea and the Securities and Futures Act of Singapore. For details, please refer to the section of "Regulatory Overview" in the Prospectus. During the year ended 31 December 2019, the Group did not commit any material non-compliance of the laws or regulations applicable to the Group.

Directors' Report

KEY RELATIONSHIPS WITH STAKEHOLDERS

The Group cares for the interests of its employees, customers and suppliers while pursuing its business growth strategies in a sustainable manner.

The Group had 626 employees spanning seven locations, namely the PRC, Japan, South Korea, Singapore, Hong Kong, Australia and India, as at 31 December 2019. The Group provided competitive remuneration package to its employees and encouraged training programs to improve their knowledge and skills, and promoted cross-market and cross-cultural cooperation to nurture their sense of belonging to the Group.

The Group's customers are composed of tenants that require logistics and distribution facilities; funds and investment vehicles. The Group strived to be the single point of contact to design and build a multi-market distribution network for tenants.

The Group's suppliers primarily consist of construction contractors, property management companies, interior designers and commercial real estate brokers. The Group maintained close collaboration with its suppliers in delivering exceptional quality of facilities and services to its customers.

In formulating and implementing its environmental, social and governance strategies, the Group engaged the stakeholders through various communication channels and activities. Further details are available in the "Environmental, Social and Governance Report" on pages 68 to 95 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year ended 31 December 2019, the five largest customers accounted for less than 30% of the Group's total revenue from sale of goods or rendering of services, and the five largest suppliers accounted for less than 30% of the Group's total purchases.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any relief from taxation to which Shareholders are entitled by reason of their holding of the listed securities of the Company.

DISTRIBUTABLE RESERVES

Details of the movement in the reserves of the Company during the year ended 31 December 2019 are set out in note 44 to the Consolidated Financial Statements of this annual report.

As at 31 December 2019, the reserves available for distribution to Shareholders by the Company amounted to US$1,730,693,000.

DIRECTORS

Directors of the Company during the year ended 31 December 2019 and up to the date of this report are as follows:

Executive Directors	**Date of Appointment**
Mr Jinchu SHEN *(Co-CEO)*	30 June 2011
Mr Stuart GIBSON *(Co-CEO)*	20 January 2016
Mr Charles Alexander PORTES *(President)*	20 January 2016
Non-executive Directors	
Mr Jeffrey David PERLMAN *(Chairman of the Board)*	14 June 2011
Mr Joseph Raymond GAGNON	30 June 2011
Mr Zhenhui WANG	10 May 2018
Mr Ho Jeong LEE	3 August 2017
Independent Non-executive Directors	
Mr Brett Harold KRAUSE	20 May 2019 (effective on 22 October 2019)
The Right Honourable Sir Hugo George William SWIRE, KCMG	20 May 2019 (effective on 22 October 2019)
Mr Simon James MCDONALD	20 May 2019 (effective on 22 October 2019)
Ms Jingsheng LIU	20 May 2019 (effective on 22 October 2019)
Mr Robin Tom HOLDSWORTH	14 October 2019 (effective on 22 October 2019)

After the end of the reporting year, and up to the date of this report, there was no change of Directors of the Company.

Biographical details of the Directors and senior management of the Company are set out in the sections headed "Board of Directors" and "Group Senior Management" respectively on pages 22 to 28 of this annual report.

In accordance with article 108(a) of the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

Article 108(b) of the Articles of Association of the Company also provides that the Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the annual general meeting shall retire by rotation at such annual general meeting. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Accordingly, at the forthcoming annual general meeting to be held on 3 June 2020, Mr Jinchu Shen, Mr Jeffrey David Perlman, Mr Joseph Raymond Gagnon and Mr Stuart Gibson, who are being the longest in office since their appointment, shall retire from office and have offered themselves for re-election at the annual general meeting.

Directors' Report

DIRECTORS' SERVICE AGREEMENT AND LETTER OF APPOINTMENT

None of the Directors has a service contract or letter of appointment with the Company that is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE AND COMPETING BUSINESS

There was no transaction, arrangement or contract of significance entered into in the financial year ended 31 December 2019 or subsisted at any time during the financial year in which a Director or an entity connected with a Director was materially interested, either directly or indirectly.

Two of our non-executive Directors are employees of Warburg Pincus Private Equity X, L.P. (a substantial shareholder of the Company) and its affiliates, which have other investments in the real-estate sector in APAC, some of which may have business overlaps and potentially compete with the Company. In connection with their employment, these non-executive Directors may hold directorships in such businesses. Details of the relevant non-executive Directors' directorships of potentially competing businesses as at the date of this annual report are as set out below. None of our Directors has an interest in any of the Company's primary competitors.

Both Mr Joseph Raymond Gagnon and Mr Jeffrey David Perlman, are non-executive directors of ARA Asset Management Holdings Pte. Ltd. ("ARA"). ARA is a real estate fund management and REIT manager. ARA or its affiliates are the REIT manager of Fortune REIT, listed on the Singapore Stock Exchange (Stock Code: F25U) and on the Hong Kong Stock Exchange (Stock Code: 0778), Suntec REIT and Cache Logistics Trust, listed on the Singapore Stock Exchange (Stock Code: T82U), and Hui Xian REIT and Prosperity REIT, listed in Hong Kong (Stock Code: 0808). ARA is primarily focused on office and retail properties.

Mr Gagnon is also a non-executive director of New Ease Cayman Investment Group ("New Ease"), D&J Industrial Real Estate Group Limited ("Dongjiu") and Kailong Holdings Limited ("Kailong"). New Ease is engaged in the development and operation of industrial parks (including logistics) in airport locations and providing integrated infrastructure solutions. New Ease operates solely in the PRC and is focused on airport sites. Dongjiu is primarily engaged in the ownership, development and operation of business parks and industrial (primarily workshops) real-estate projects. Dongjiu operates solely in the PRC. Kailong is a real estate fund manager primarily focused on office real-estate projects. Kailong operates in PRC, Hong Kong and the UK.

The Board is of the view the Company is capable of carrying on its business independently of and at arms length from the businesses mentioned in the preceding paragraphs, and that the relevant Directors have acted and will continue to act in the best interest of the Group, during their performance of their duties as Directors of the Company.

MANAGEMENT CONTRACTS

During the year ended 31 December 2019, the Company did not enter into any contract by which a person undertook the management and administration of the whole or any substantial part of any business of the Company.

EMOLUMENT POLICY

The emolument of the Directors and senior management were paid in the form of remuneration, salaries, equity settled share options, allowances, contributions to pension schemes, employee benefits, discretionary bonuses, fees and retirement benefits. The remuneration package of employees includes salary, bonuses and other cash elements. In general, the Company determines employee salaries based on each employee's qualifications, experience, position and seniority. It has designed an annual review system to assess the performance of employees, which forms the basis of the determinations on salary raises, bonuses and promotion. The Group is subject to social insurance contribution plans organised by relevant local governments. The Company believes that the salaries and benefits that its employees receive are competitive with market standards in each country where it conducts business.

The Company also has in place long-term incentive schemes with details set out in paragraphs headed "KM ESOP, Tier 1 ESOP and Post-IPO Share Option Scheme" in this report.

The Company has established a Remuneration Committee to review the policy and structure of the remuneration for the Directors and senior management and make recommendations on the remuneration packages of individual executive Directors and senior management. In general, the Company determines the emolument payable to its Directors based on each Director's qualifications, experience, time commitment and responsibilities, salaries paid by comparable companies as well as the performance of the Company.

CHANGES OF INFORMATION IN RESPECT OF DIRECTORS

Save as disclosed in the section headed "Board of Directors" in this report, there was no change to information which is required to be disclosed and has been disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Listing Rules.

Directors' Report

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

As at 31 December 2019, the interests and short positions of Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) (i) as recorded in the register required to be kept under section 352 of the SFO; or (ii) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") are as follows:

Name of Director	Capacity/nature of interest	Number of ordinary shares held *(Note 1)*	Approximate percentage of shareholdings
Mr Jinchu Shen	Interest of controlled corporations *(Note 2)*	285,758,717 (L) *(Note 3)*	9.41%
Mr Stuart Gibson	Interest of controlled corporations *(Note 4)*	421,835,167 (L) *(Note 5)*	13.89%
Mr Charles Alexander Portes	Interest of controlled corporations *(Note 4)*	421,835,167 (L) *(Note 5)*	13.89%

Notes:

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

2. Laurels Capital Investments Limited is wholly owned by The Shen Trust. In respect of The Shen Trust, the settlor is Rosy Fortune Limited (the sole shareholder of which is Mr Jinchu Shen). Mr Jinchu Shen has a deemed interest under the SFO in the Shares held by The Shen Trust solely in his capacity as the sole shareholder of the settlor of The Shen Trust.

3. Inclusive of the interest in 3,899,928 Shares underlying the share options pursuant to the Tier 1 ESOP

4. Redwood Investment Company, Ltd. is owned as to 42.0% and 58.0% by Kurmasana Holdings, LLC and Redwood Investor (Cayman) Ltd, respectively, of which Kurmasana Holdings, LLC is wholly-owned by Redwood Investor (Cayman) Ltd. and the voting rights of Redwood Investor (Cayman) Ltd. are controlled as to 50% and 50% by Mr Charles Alexander Portes and Mr Stuart Gibson, respectively. Hence, each of Mr Charles Alexander Portes, Mr Stuart Gibson, Redwood Investor (Cayman) Ltd. and Kurmasana Holdings, LLC will be deemed to be interested in the Shares held by Redwood Investment Company, Ltd.. Redwood Consulting (Cayman) Limited is owned as to 50.0% and 50.0% by Mr Charles Alexander Portes and Mr Stuart Gibson, respectively. Hence each of Mr Charles Alexander Portes and Mr Stuart Gibson are deemed to be interested in Shares held by Redwood Consulting (Cayman) Limited.

5. Inclusive of the interest in 16,899,687 Shares underlying the share options pursuant to the Tier 1 ESOP

Save as disclosed above, as at 31 December 2019, none of the Directors and chief executive of the Company has any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) (i) as recorded in the register required to be kept under section 352 of the SFO; or (ii) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the information disclosed in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions In Shares, Underlying Shares and Debentures" above, at no time during the year ended 31 December 2019 and up to the date of this report was the Company or any of its subsidiaries, holding company or a subsidiary of the Company's holding company a party to any arrangement whose objects were, or one of whose objects was, to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors of the Company (including their spouses or children under the age of 18) had any interest in or was granted any rights to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

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

As at 31 December 2019, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Capacity/nature of interest	Number of ordinary shares held *(Note 1)*	Approximate percentage of shareholdings
WP OCIM ONE LLC	Beneficial owner	566,737,099(L)	18.66%
WP X Investment VI Ltd.	Interest of controlled corporation *(Note 2)*	566,737,099(L)	18.66%
Warburg Pincus Private Equity X, L.P.	Interest of controlled corporation *(Note 2)*	566,737,099(L)	18.66%
Warburg Pincus X, L.P.	Interest of controlled corporation *(Note 2)*	566,737,099(L)	18.66%
Warburg Pincus X GP L.P.	Interest of controlled corporation *(Note 2)*	566,737,099(L)	18.66%
WPP GP LLC	Interest of controlled corporation *(Note 2)*	566,737,099(L)	18.66%
Warburg Pincus Partners, L.P.	Interest of controlled corporation *(Note 2)*	566,737,099(L)	18.66%
Warburg Pincus Partners GP LLC	Interest of controlled corporation *(Note 2)*	566,737,099(L)	18.66%
Warburg Pincus & Co.	Interest of controlled corporation *(Note 2)*	566,737,099(L)	18.66%
Redwood Investment Company, Ltd.	Beneficial owner	389,933,535(L)	12.84%
Kurmasana Holdings, LLC	Interest of controlled corporation *(Note 3)*	389,933,535(L)	12.84%
Redwood Investor (Cayman) Limited	Interest of controlled corporations *(Note 3)*	389,933,535(L)	12.84%
Mr Charles Alexander Portes	Interest of controlled corporations *(Note 3)*	421,835,167(L)	13.89%
Mr Stuart Gibson	Interest of controlled corporations *(Note 3)*	421,835,167(L)	13.89%
SK Holdings Co., Ltd.	Beneficial owner	336,539,292(L)	11.08%
Laurels Capital Investments Limited	Beneficial owner *(Note 4)*	285,758,717(L)	9.41%
Rosy Fortune Limited	Founder of a discretionary trust *(Note 5)*	285,758,717(L)	9.41%
Tricor Equity Trustee Limited	Trustee *(Note 5)*	285,758,717(L)	9.41%
Mr Jinchu Shen	Interest of controlled corporation *(Note 5)*	285,758,717(L)	9.41%
OMERS Administration Corporation	Beneficial owner	273,292,600(L)	9.00%
Jingdong Logistics Group Corporation	Beneficial owner *(Note 6)*	232,301,861(L)	7.65%
JD Logistics Holding Limited	Interest of controlled corporation *(Note 6)*	232,301,861(L)	7.65%
Jingdong Technology Group Corporation	Interest of controlled corporation *(Note 6)*	232,301,861(L)	7.65%
JD.com, Inc.	Interest of controlled corporation *(Note 6)*	232,301,861(L)	7.65%
Max Smart Limited	Interest of controlled corporation *(Note 6)*	232,301,861(L)	7.65%
Mr Richard Qiangdong Liu	Beneficiary of a trust (other than a discretionary interest) *(Note 6)*	232,301,861(L)	7.65%
The Capital Group Companies, Inc.	Interest of controlled corporations *(Note 7)*	218,557,549(L)	7.20%
Stichting Depositary APG Strategic Real Estate Pool	Depositary *(Note 8)*	211,057,897(L)	6.95%
APG Asset Management N.V.	Investment Manager *(Note 8)*	211,057,897(L)	6.95%
APG Groep N.V.	Investment Manager *(Note 8)*	211,057,897(L)	6.95%
Stichting Pensioenfonds ABP	Investment Manager *(Note 8)*	211,057,897(L)	6.95%

Directors' Report

Notes:

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

2. WP OCIM One LLC ("WP OCIM") is a wholly-owned subsidiary of WP X Investment VI Ltd. ("WP X VI"). WP X VI is 96.9% owned by Warburg Pincus Private Equity X, L.P. ("Warburg Pincus X"), the general partner of which is Warburg Pincus X, L.P. ("WP X LP"). The general partner of WP X LP is Warburg Pincus X GP L.P., the general partner of which is WPP GP LLC ("WPP GP"). The managing member of WPP GP is Warburg Pincus Partners, L.P.("WPP"). The general partner of WPP is Warburg Pincus Partners GP LLC, the managing member of which is Warburg Pincus & Co. Accordingly, each of WP X VI, Warburg Pincus X, WP X LP, WPP GP, WPP, Warburg Pincus Partners GP LLC and Warburg Pincus &Co. are deemed to be interested in the Shares held by WP OCIM.

3. Redwood Investment Company, Ltd. ("Redwood Investor") is owned as to 42.0% and 58.0% by Kurmasana Holdings, LLC and Redwood Investor (Cayman) Limited, respectively, of which Kurmasana Holdings, LLC is wholly-owned by Redwood Investor (Cayman) Limited and the voting rights of Redwood Investor(Cayman) Limited are controlled as to 50% and 50% by Mr Charles Alexander Portes and Mr Stuart Gibson, respectively. Hence, each of Mr Charles Alexander Portes, Mr Stuart Gibson, Redwood Investor (Cayman) Limited and Kurmasana Holdings, LLC are deemed to be interested in the Shares held by Redwood Investor. Besides, as at 31 December 2019, 31,901,632 Shares (representing 1.05%(L) of the total issued shares of the Company then and inclusive of the interest in 16,899,687 Shares underlying the share options pursuant to the Tier 1 ESOP) were held by Redwood Consulting (Cayman) Limited ("Redwood Consulting") as the beneficial owner. Redwood Consulting is owned as to 50.0% and 50.0% by Mr Charles Alexander Portes and Mr Stuart Gibson, respectively. Hence each of Mr Charles Alexander Portes and Mr Stuart Gibson are deemed to be interested in Shares held by Redwood Consulting.

4. Inclusive of the interest in 3,899,928 Shares underlying the share options pursuant to the Tier 1 ESOP.

5. Laurels Capital Investments Limited is wholly owned by The Shen Trust. The settlor of The Shen Trust is Rosy Fortune Limited, the sole shareholder of which is Mr Jinchu Shen. The trustee of The Shen Trust is Equity Trustee Limited. Rosy Fortune Limited has a deemed interest under the SFO in the Shares held by The Shen Trust in its capacity as settlor of The Shen Trust, Mr Jinchu Shen has a deemed interest under the SFO in the Shares held by The Shen Trust solely in his capacity as the sole shareholder of the settlor of The Shen Trust and Equity Trustee Limited has a deemed interest under the SFO in the Shares held by The Shen Trust in its capacity as trustee of The Shen Trust.

6. Jingdong Logistics Group Corporation is a wholly owned subsidiary of JD Logistics Holding Limited, which in turn is a wholly owned subsidiary of Jingdong Technology Group Corporation. Jingdong Technology Group Corporation is a wholly owned subsidiary of JD.com, Inc., a Cayman Islands company with its American depository shares listed on the Nasdaq Global Select Market. Max Smart Limited, a BVI company beneficially owned by Mr Richard Qiangdong Liu (劉強東) through a trust, owned 15.2% of the total outstanding ordinary shares and 72.9% of the total outstanding voting power of JD.com, Inc. as of February 28, 2019. Therefore, each of JD Logistics Holding Limited, Jingdong Technology Group Corporation, JD.com, Inc., Max Smart Limited and Mr Richard Qiangdong Liu is deemed to have beneficial ownership over the Shares held by Jingdong Logistics Group Corporation.

7. Capital International Sarl and Capital International, Inc., both are wholly owned subsidiaries of Capital Group International, Inc., were the beneficial owner of 427,000 Shares and 36,692,600 Shares respectively. Capital Group International, Inc. is a wholly owned subsidiary of Capital Research and Management Company, which in turn is a wholly owned subsidiary of The Capital Group Companies, Inc. Besides, Capital Bank & Trust Company, a wholly owned subsidiary of The Capital Group Companies, Inc., was the beneficial owner of 43,600 Shares. By virtue of the SFO, Capital Research and Management Company is deemed to have beneficial ownership over the Shares held by Capital International Sarl and Capital International, Inc.; and The Capital Group Companies, Inc. is deemed to be interested in the Shares held by Capital Research and Management Company and Capital Bank & Trust Company.

8. APG Asset Management N.V. ("APG-AM") is the investment manager of Stichting Depositary APG Strategic Real Estate Pool ("APG-Stichting"), which is the holder of the relevant Shares. APG-AM is wholly-owned by APG Groep N.V., which is 92.16% owned by Stichting Pensioenfonds ABP, which is an investor in APG Strategic Real Estate Pool. Each of Stichting Pensioenfonds ABP, APG-AM and APG Groep N.V., are therefore deemed to be interested in the Shares held by APGStichting.

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register of the Company referred to therein.

EQUITY-LINKED AGREEMENTS

Save as the information disclosed in paragraphs headed "KM ESOP, Tier 1 ESOP and Post-IPO Share Option Scheme" in this report, the Company did not enter into any equity-linked agreement for the year ended 31 December 2019, nor was there any equity-linked agreement entered into by the Company subsisting as at 31 December 2019.

KM ESOP, TIER 1 ESOP AND POST-IPO SHARE OPTION SCHEME

1. KM ESOP

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

(i) Purpose

The purpose of the KM ESOP is to incentivise or reward eligible participants for their contribution towards our Company's operations, so as to: (a) motivate and encourage recipients to continue to perform well; (b) to retain the services of recipients whose work is vital to the growth and continued success of our Company; and (c) to link the personal interests of members of the Board and the employees with those of the Shareholders.

(ii) Who may join

The Board may, at its discretion, grant an option to any director or employee of our Group, or any director or employee of any company which is under the control of our Company (an "**Eligible Person**").

(iii) Classes of shares that may be issued

Under the KM ESOP, ordinary shares may be issued. For the year ended 31 December 2019, the Company did not issue any ordinary shares under the KM ESOP.

(iv) Maximum number of shares

The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the KM ESOP at any time shall not exceed 63,558,343 Shares (approximately 2.09% of the issued share capital of the Company as at 31 December 2019).

(v) Maximum entitlement of each participant

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

(vi) Period within which the securities must be taken up under an option

An option shall lapse automatically (to the extent not already exercised and subject always to the terms and conditions upon which the option was granted) on the earliest of:

(a) the tenth anniversary of the date of grant;

(b) the expiry of three months from the date on which the participant ceases to be an Eligible Person;

(c) If the participant ceases to be an employee by reason of his death, the options may be exercised by his personal representatives within twelve months from the date of death. If the participant ceases to be an employee by reason of his injury, ill-health or disability, the options may be exercised, to the extent it is vested, within six months from the date of cessation of employment. ("**Rights on Death, Retirement, Injury and Disability**")

(d) If a participant's employment with our Company or any member of our Group is terminated by way of: (a) his voluntary resignation within three months from the date of grant; (b) fundamental breach of his employment agreement or a material breach of his non-disclosure undertaking; or (c) his serious misconduct, the option will lapse and cease to be exercisable immediately. If a participant ceases to be employed by our Company by reason of redundancy or dismissal other than by summary dismissal, the option may be exercised to the extent that it is vested within three months from the date of cessation of employment. ("**Effect of Dismissal or Ceasing Employment**")

Directors' Report

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

(f) If a notice is given by our Company to its shareholders to convene a general meeting for the purposes of considering or approving a resolution to voluntarily wind-up our Company, to the extent that an option is vested, it may be exercised at any time to the extent that it is vested, before the relevant resolution has been passed or defeated or the meeting adjourned indefinitely, conditionally on the resolution being passed. If our Company is wound up by the court, to the extent that an option is vested and permissible by law, it may be exercised within one month of the winding-up order and will then lapse. This sub-clause does not apply if the winding-up is for the purpose of a reconstruction or amalgamation. ("**Rights on Winding-up**")

(g) subject to the paragraph headed "Rights on Winding-Up" above, the passing of an effective resolution for the voluntary winding-up of the Company (except where the winding-up is for the purpose of a reconstruction or amalgamation);

(h) subject to the paragraph headed "Rights on Winding-Up" above, the expiry of one month following the making of an order by the court for the winding-up of the Company (except where the winding-up is for the purpose of a reconstruction or amalgamation);

(i) the participant being declared bankrupt;

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

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

(l) the participant, who is a Shareholder: (A) being deemed unable or admits inability to pay its debts as they fall due; or (B) there has been a material breach of the provisions of the Articles of Association by the participant which is not capable of remedy, or which is capable of remedy but is not remedied within 30 days after the occurrence of such material breach.

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

Subject to other conditions of the KM ESOP being satisfied, the options which have been granted shall be vested in accordance with the period as may be determined by our Board and set out in the vesting schedule in the KM ESOP.

(viii) Subscription price for the shares, consideration for the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid

An option may be exercised in full or in part in accordance with the terms of the KM ESOP by delivering to the address of the Company a written notice of exercise in the prescribed form. The participant may, to the extent permitted by the Company and any applicable laws or regulations, also elect one of the following:

(a) provide evidence to the satisfaction of our Company that it has received or will receive as soon as practicable payment in full of the Exercise Price for the aggregate number of Shares over which the option is to be exercised; or

(b) deliver a written notice to our Company to confirm use of either the net share settlement (i.e. in lieu of the participant paying the exercise price, the participant will receive the greatest number of whole shares as determined by the formula set out in the KM ESOP) or net cash settlement arrangement (i.e. in lieu of the participant paying the exercise price to exercise an option, the participant will receive a payment in cash equal to the value of the shares in respect of which the option is being exercised less the exercise price otherwise payable for those shares).

(ix) Basis of determining the exercise price

The Board decided the option price which was stated at the date of grant. The option price may be nil unless the shares subject to the option are to be subscribed, when the option price cannot be less than the nominal value of a share. The total amount payable on the exercise of an option is the relevant option price multiplied by the number of shares in respect of which the option is exercised.

(x) The remaining life of the scheme and details of exercise of the options

The term of the KM ESOP will terminate on the tenth anniversary of the commencement date being 24 November 2017 or at any earlier time determined by the Board. Termination of the KM ESOP will not affect options granted before termination.

(xi) Exercise price, grant date and vesting schedule

			Number of options			
Exercise price (USD)	**Grant date**	**Vesting Period**	**held at 1 November 2019**	**exercised during the Period (note a)**	**cancelled during the Period**	**Held at 31 December 2019**
0.2520	February 2014	All vested	4,189,286	–	–	4,189,286
0.4722	December 2017	Varies from 3 to 4 years and all vested	13,870,414	(2,827,243)	–	11,043,171
0.9445	December 2017	4 years	22,723,127	(2,294,949)	–	20,428,178
0.9445	January 2018	4 years	13,513,611	–	–	13,513,611
1.1453	August 2018	4 years	873,103	–	–	873,103
0.4722	February 2019	3 years	1,376,535	(582,401)	–	794,134
0.9445	February 2019	3 years	103,080	–	–	103,080
1.3655	February 2019	4 years	1,098,494	–	–	1,098,494
1.5172	February 2019	4 years	3,710,342	–	(49,433)	3,660,909
0.9445	May 2019	Varies from 3 to 4 years and all vested	1,111,700	–	–	1,111,700
1.5172	May 2019	4 years	988,651	–	(329,550)	659,101
			63,558,343	(5,704,593)	(378,983)	57,474,767

Note a: Shares to be issued for the options exercised shall be issued after May 1, 2020 as a result of a delayed settlement arrangement. The exact number of shares to be issued is subject to calculation (by considering any income tax and social security contribution), which shall not be more than the number of options exercised in any event.

The total number of shares which may be issued upon the exercise of all share options granted under the KM ESOP is 63,558,343 Shares as at the Listing Date, and no further share options have been granted under the KM ESOP on or after the Listing Date.

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2. Tier 1 ESOP

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

(i) Purpose

The Tier 1 ESOP is intended to provide our Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to selected participants. By aligning the interests of selected participants with those of the Shareholders, participants will be encouraged and motivated to continue their efforts towards enhancing the value of the Company. The options were granted based on the performance of the option holders who have made important contributions to and are important to the long term growth and profitability of the Group.

(ii) Selected participants

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

(iii) Administration

The Board has full authority to administer the Tier 1 ESOP, including authority to interpret and construe any of its provisions and to adopt any regulations and any documents it thinks necessary or appropriate. The Board's decision on any matter connected with the Tier 1 ESOP will be final and binding on all parties.

(iv) Term of the Tier 1 ESOP

The Tier 1 ESOP will not be terminated while options are outstanding

(v) Classes of shares that may be issued under the Tier 1 ESOP

Under the Tier 1 ESOP, ordinary shares may be issued. For the year ended 31 December 2019, a total of 18,452,806 ordinary shares were issued immediately before the completion of the Global Offering on 1 November 2019 under the Tier 1 ESOP.

(vi) Maximum number of shares

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

(vii) Exercise price

The Exercise Price is US$0.46 per option.

(viii) Straight-line vesting

36.91% of the options (the "**Vested Percentage**") vested on the date of grant, and the remainder of the options vest daily on a straight line basis until 20 January 2021 (the "**Vesting Period**").

(ix) Conditions of exercise

Conditions are attached to the grant of the options to each participant, which contain specific conditions in the event of a default or other leaver event which apply to the particular participant.

(x) Vesting events

If the following events occur, the options will vest in full:

(a) a strategic competitor acquires more than 29% of the fully diluted share capital or becomes the largest shareholder in our Company;

(b) except where a successor company obtains control and exchanges the options under Tier 1 ESOP for new options on economically equivalent terms, any person obtains control of our Company (i.e. acquires the right to exercise more than 50% of the controlling rights in the Company);

(c) there is a sale of all or substantially all of the shares in our Company by way of a trade sale or by way of a sale to a third party;

(d) there is a disposal by one or more transactions of all or substantially all of the business of the Company;

(e) there is a sale of all or substantially all of the shares in a project company or member of the Group to which a senior manager provides services or by which a senior manager is employed, as appropriate, by way of trade sale or by way of sale to a third party or there is a disposal of all or substantially all of the business of the project company or a member of the Group to which a senior manager provides services or by which the relevant senior manager is employed; or

(f) there is a solvent winding-up of the Company.

(xi) Lapse of an option

Subject to the date specified in any specific conditions to which the option is subject, an option will lapse to the extent not exercised on the earliest of the following:

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

(b) the expiry of six months following the occurrence of the date on which a court sanctions a compromise or arrangement between our Company and its Shareholders which permits exercise of the option;

(c) the passing of an effective resolution for the voluntary winding-up of our Company (except where the winding-up is for the purpose of a reconstruction or amalgamation or other specified situation);

(d) the expiry of one month following the making of an order by the court for the winding-up of our Company (except where the winding-up is for the purpose of a reconstruction or amalgamation or other specified situation);

(e) the participant being deprived of the legal or beneficial ownership of the option by operation of law, or doing or omitting to do anything which causes the participant to be so deprived or being declared bankrupt; or

(f) the participant having breached the restrictions on transfer contained in the Tier 1 ESOP.

Directors' Report

In relation to the options granted to Laurels (the "**Laurels Options**") and in relation to the options granted to Redwood Consulting (the "**Redwood Options**'"), if during the Vesting the relevant directors or employees of the Group (in each case the "**Relevant Employee**"):

(a) resigns within 3 years of the date of grant of the Laurels Options or the part of the Redwood Options which are attributed to the relevant Director (the "**Relevant Options**") or ceases to be employed other than in circumstances specified below, the relevant option holder will retain the Relevant Options to the extent vested as at the date of termination;

(b) is dismissed for cause, or other specified events occur (including breaches of their relevant service agreements), the Relevant Options will be forfeited to the extent unexercised with certain exceptions; or

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

(xii) Rights on death or ill-health
If the Relevant Employee dies or ceases to be employed by our Company or its affiliates due to ill health, the Relevant Options that are vested as at the date of cessation may be exercised.

(xiii) Rights on a compromise or arrangement
If the court sanctions a compromise or arrangement between the Company and its Shareholders, provided an option is not to be exercised under the paragraph headed "**Rights on Reorganisation or Merger**" in this section below, the option can be exercised up to 20 days before and during the period of six months commencing on the date when the court sanctions the compromise or arrangement.

(xiv) Rights on winding up
If a notice is given by our Company to its Shareholders to convene a general meeting for the purposes of considering or approving a resolution to voluntarily wind-up our Company, to the extent that an option is vested, it may be exercised at any time to the extent that it is vested, before the relevant resolution has been passed or defeated or the meeting adjourned indefinitely, conditionally on the resolution being passed. If our Company is wound up by the court, to the extent that an option is vested and exercise is permissible by law, it may be exercised within one month of the winding-up order and will then lapse. This sub-clause does not apply if the winding-up is for the purpose of a reconstruction or amalgamation.

(xv) Rights on reorganisation or merger
If there is a variation in equity share capital of our Company or upon any consolidation, amalgamation or merger of our Company, the Board may adjust the terms of the Tier 1 ESOP or the option price for outstanding options with effect from the date of the relevant event, so that the value of the shares subject to the options is equal to the value of those shares immediately before the occurrence of the event; and the exercise price payable to exercise an option will be the same as that immediately before the occurrence of the event. No such adjustment can reduce the option price to less than the nominal value of a Share.

(xvi) Outstanding options granted under the Tier 1 ESOP

As at 31 December 2019, options to subscribe for an aggregate of 24,699,543 Shares, representing approximately 0.81% of the issued shares of the Company, are outstanding. Details of the movement of the options and holders are set out below:

Name of Participant	held at 1 November 2019	exercised during the Period	cancelled during the Period	held at 31 December 2019
Executive Director				
Mr Jinchu Shen *(Notes a, c)*	3,899,928	–	–	3,899,928
Mr Charles Alexander Portes and Mr Stuart Gibson *(Note b, c)*	16,899,687	–	–	16,899,687
	20,799,615	–	–	20,799,615
WP OCIM	3,899,928	–	–	3,899,928
	24,699,543	–	–	24,699,543

Note:

(a) The options are granted to Laurels Capital Investments Limited. Laurels Capital Investments Limited is wholly owned by The Shen Trust. In respect of The Shen Trust, the settlor is Rosy Fortune Limited (the sole shareholder of which is Mr Jinchu Shen). Mr Jinchu Shen has a deemed interest under the SFO in the options held by The Shen Trust solely in his capacity as the sole shareholder of the settlor of The Shen Trust.

(b) The options are granted to Redwood Consulting (Cayman) Limited. Redwood Consulting (Cayman) Limited is owned as to 50.0% and 50.0% by Mr Charles Alexander Portes and Mr Stuart Gibson, respectively. Hence each of Mr Charles Alexander Portes and Mr Stuart Gibson is deemed to be interested in options held by Redwood Consulting (Cayman) Limited.

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

No further options will be issued under the Tier 1 ESOP in the future. No share options lapsed or were exercised or cancelled from the listing date to 31 December 2019.

Directors' Report

3. Post-IPO Share Option Scheme

The following is a summary of the principal terms of the Post-IPO Share Option Scheme conditionally adopted by the resolutions of our Shareholders passed at an extraordinary general meeting held on 12 October 2019.

(i) Purpose of the Post-IPO Share Option Scheme

The purpose of the Scheme is to provide incentives to participants to contribute to the Company and to enable the Company to recruit high caliber employees and attract or retain human resources that are valuable to the Group.

(ii) Selected participants to the Post-IPO Share Option Scheme

Any individual, being an employee, executive Director and non-executive Director (including independent non-executive Director), agent or consultant of our Company or its subsidiary who the Board or its delegate(s) considers, at their sole discretion, to have contributed or will contribute to our Group is entitled to be granted options. However, no individual who is resident in a place where the grant, acceptance or exercise of options pursuant to the Post-IPO Share Option Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, is eligible to be offered or granted options.

(iii) Classes of shares that may be issued under the Post-IPO Share Option Scheme

Ordinary shares

(iv) Maximum number of shares

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme is 303,658,464, being no more than 10% of the Shares in issue on completion of the Global Offering.

(v) Maximum entitlement of a grantee

Unless approved by our Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of our Company to each selected participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue (the "**Individual Limit**").

(vi) Performance target

The Post-IPO Share Option Scheme does not set out any performance targets that must be achieved before the options may be exercised. However, the Board or its delegate(s) may at their sole discretion specify, as part of the terms and conditions of any option, such performance conditions that must be satisfied before the option can be exercised.

(vii) Subscription price

The amount payable for each Share to be subscribed for under an option ("**Subscription Price**") in the event of the option being exercised shall be determined by the Board but shall be not less than the greatest of:

(a) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;

(b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(c) the nominal value of the Shares.

(viii) Grant of options

An offer of the grant of an option shall be made to a participant by letter or in such form as the Board may from time to time determine specifying the number of Shares, the subscription price, any condition (including but not limited to imposition of any performance target(s) and/or vesting scale), the Period in respect of which the offer is made, the date by which the option must be applied for being a date not more than 28 days after the offer date (the "**Acceptance Date**") and further requiring the Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the scheme. Such offer shall be personal to the participant concerned and shall not be transferable.

An option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter or such other form constituting acceptance of the offer of the grant of the option duly signed by the Grantee together with a remittance in favor of the Company of HK$1.00 (or such equivalent in other currency as the Board may specify) by way of consideration for the grant thereof is received by the Company on or before the relevant Acceptance Date.

Any offer may be accepted in respect of less than the number of options for which it is offered provided that it is accepted in respect of options representing Shares constituting a board lot for dealing in Shares or a multiple thereof. To the extent that the offer is not accepted within 20 business days from the date on which the letter containing the offer is delivered to that selected participant, it shall be deemed to have been irrevocably declined.

As of 31 December 2019, no share options had been granted under the Post-IPO Share Option Scheme.

(ix) Time of exercise of an option

An option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to our Company in such form as the Board may from time to time determine stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

(x) Duration

The Post-IPO Share Option Scheme shall be valid and effective for the period of 10 years commencing on the date of adoption of the Post-IPO Share Option Scheme. The remaining life of the Post-IPO Share Option Scheme is about 9 years and 7 months as at the date of this report.

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

Directors' Report

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from 1 November 2019 ("Listing Date") to 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

DEBENTURES ISSUED

The Group has historically financed its expansion through various instruments including fixed rate notes. During the year ended 31 December 2019, the Group issued the following notes:

In February 2019, the Group issued S$150 million (approximately US$109.4 million) of three year 6.75% fixed rate notes due February 2022 (the "**6.75% Notes**") under its US$2.0 billion Multicurrency Debt Issuance Programme. The Group subsequently issued three further tranches within the same series, two in March 2019 and one in May 2019, amounting to an aggregate of S$200 million (approximately US$145.8 million). The aggregate total amount of 6.75% Notes issued to date is S$350 million (approximately US$255.2 million).

In April 2019, the Group issued US$250 million of 7.875% fixed rate notes due April 2022 (the "**7.875% Notes**") under its US$2.0 billion Multicurrency Debt Issuance Programme. In July 2019, the Group subsequently issued a further tranche under the same series amounting to an aggregate of US$175 million, which was consolidated with the April 2019 issuance to form a single series of US$425 million 7.875% Notes.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Cayman Companies Law, which would oblige the Company to offer new Shares on a pro rata basis to the existing Shareholders.

CONNECTED TRANSACTIONS (INCLUDING CONTINUING CONNECTED TRANSACTIONS)

The Company did not have any transaction with connected persons of the Group that were subject to the reporting, announcement or independent shareholders' approval requirements as required under the Listing Rules during the year ended 31 December 2019.

RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of the Company's key management and their close family member are also considered as related parties. For a discussion of related party transactions, see note 40 to the Consolidated Financial Statements. Directors believe that the related party transactions were carried out on an arm's length basis and will not distort our results during the year ended 31 December 2019 or make such results not reflective of our future performance. All the related party transactions described in this note do not constitute connected transactions or continuing connected transactions subject to the reporting, announcement or independent shareholders' approval requirements.

CHARITABLE DONATIONS

The charitable and other donations made by the Group for the year ended 31 December 2019 amounted to US$424,000.

IMPORTANT EVENT AFTER THE REPORTING PERIOD

Save for the information disclosed in note 48 to the Consolidated Financial Statements, there was no important event after the year ended 31 December 2019 and up to the date of this report.

PERMITTED INDEMNITY PROVISION

According to article 191 of the Articles of Association of the Company, the Directors and other officers for the time being of the Company and the trustees (if any) for the time being acting in relation to any of the affairs of the Company, and their respective executors or administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty, and none of them shall be answerable for the acts, receipts, neglects or defaults of any other of them, or for joining in any receipt for the sake of conformity, or for any bankers or other persons with whom any moneys or effects of the Company shall be lodged or deposited for safe custody, or for the insufficiency or deficiency of any security upon which any moneys of the Company shall be placed out or invested, or for any other loss, misfortune or damage which may arise in the execution of their respective offices or trusts, or in relation thereto, except as the same shall happen by or through their own fraud, dishonest, or recklessness. The Company may take out and pay the premium and other moneys for the maintenance of insurance, bonds and other instruments for the benefit either of the Company or the Directors (and/or other officers) or any of them to indemnify the Company and/or Directors (and/or other officers) named therein for this purpose against any loss, damage, liability and claim which they may suffer or sustain in connection with any breach by the Directors (and/or other officers) or any of them of their duties to the Company.

The Company has arranged for appropriate directors' liability insurance coverage for the Directors during the year ended 31 December 2019.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued share capital, the prescribed minimum percentage of public float under the Listing Rules, was held by the public as at the latest practicable date prior to the issue of this annual reports of the date of this report.

AUDITOR

Ernst & Young, Certified Public Accountants, who was appointed as the auditor of the Company since the Listing Date, has acted as the auditor of the Company for the year ended 31 December 2019.

The Consolidated Financial Statements for the year ended 31 December 2019 have been audited by Ernst & Young who shall retire at the forthcoming AGM and, being eligible, will offer themselves for re-appointment. A resolution will be proposed at the forthcoming AGM to re-appoint Ernst & Young as the auditor of the Company.

Save as otherwise stated, all references above to other sections, reports or notes in this annual report form part of this Directors' Report.

On behalf of the Board
Mr Jeffrey David Perlman
Chairman

Hong Kong, 21 March 2020

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of ESR Cayman Limited (the "Company") and its subsidiaries (the "Group") set out on pages 123 to 238, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Impairment consideration of goodwill and the other intangible asset with indefinite useful life	
The goodwill of USD340,243,000 and the other intangible asset with indefinite useful life of USD74,985,000, which arose mainly from past acquisitions, are subject to an annual impairment review. No impairment charge was recognised against these balances in the current financial year. We identified impairment assessment of goodwill and the other intangible asset with indefinite useful life as a key audit matter because the impairment test and assessment were largely based on management's expectation and estimation of future results of the respective cash-generating units. The assumptions used in impairment test were based on management's estimates of variables such as budgeted gross fee income, the growth rates and the discount rates. Further disclosures on the Group's goodwill and the other intangible asset with indefinite useful life are in notes 20 and 21 to the consolidated financial statements.	Our audit procedures included, among others, an assessment of the assumptions and methodologies used by the Group in the value in use model. In doing so, we involved our internal valuation specialists to evaluate the valuation methodologies and the key assumptions such as discount rates and terminal growth rates. We assessed the reasonableness of cash flows projection and other related assumptions such as the budgeted gross fee income and future management fee rates. We tested the mathematical accuracy of the cash flows projection. We also reviewed the Group's disclosure regarding the impairment of goodwill and the other intangible asset with indefinite useful life.
Valuation of Investment properties	
The investment properties of USD2,785,926,000 were subject to fair value revaluation at the end of the year. The fair value as at 31 December 2019 was assessed by independent professional valuers. We identified the valuation of investment properties as a key audit matter because of the significance of total fair value of these investment properties to the consolidated financial statements and because the determination of the fair value involved significant judgement and estimations. The key assumptions included, among others, adopted term yield, reversionary yield and market unit rent for warehouse properties. Further disclosures on the Group's investment properties are in note 19 to the consolidated financial statements.	Our audit procedures included, among others, evaluating the independent professional valuers' competence, capabilities and objectivity. We involved our internal valuation specialists to evaluate the valuation methodologies and assess the reasonableness of the key assumptions provided by management to the independent professional valuers, such as the adopted term yield, reversionary yield and market unit rent by benchmarking the rates against specific property data, comparables and prior year's inputs. We also reviewed the disclosures relating to the valuation techniques and key inputs applied by the professional valuers.

Independent Auditor's Report

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue and auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purposes. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Wai Lap, Philip.

Ernst & Young
Certified Public Accountants
Hong Kong
21 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2019

	Notes	2019 USD'000	2018 USD'000
REVENUE	4, 5	357,369	254,148
Cost of sales		(81,170)	(43,742)
Gross profit		276,199	210,406
Other income and gains	5	369,565	254,305
Administrative expenses		(198,417)	(154,567)
Finance costs	7	(180,368)	(104,929)
Share of profits and losses of joint ventures and associates, net		93,355	65,372
Profit before tax	6	360,334	270,587
Income tax expense	10	(81,934)	(57,709)
Profit for the year		278,400	212,878
Attributable to:			
Owners of the Company		245,177	203,042
Non-controlling interests		33,223	9,836
		278,400	212,878
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic			
For profit for the year	12	USD0.09	USD0.08
Diluted			
For profit for the year	12	USD0.09	USD0.08
Profit for the year		278,400	212,878
OTHER COMPREHENSIVE INCOME			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(31,566)	(57,792)
Share of other comprehensive loss of joint ventures and associates		(16,003)	(13,465)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		(47,569)	(71,257)
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		63,371	8,544
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		63,371	8,544
Other comprehensive income/(loss) for the year, net of tax		15,802	(62,713)
Total comprehensive income for the year		294,202	150,165
Attributable to:			
Owners of the Company		257,406	134,941
Non-controlling interests		36,796	15,224
		294,202	150,165

Consolidated Statement of Financial Position

31 December 2019

	Notes	2019 USD'000	2018 USD'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	31,481	21,061
Right-of-use assets	14	11,831	9,090
Investments in joint ventures	15	697,996	404,699
Investment in an associate	16	–	9,334
Financial assets at fair value through profit or loss	17	589,417	335,771
Financial assets at fair value through other comprehensive income	18	542,925	484,239
Investment properties	19	2,785,926	1,885,502
Goodwill	20	340,243	285,382
Other intangible assets	21	92,958	79,493
Other non-current assets	22	39,811	34,361
Deferred tax assets	29	23,554	13,559
Total non-current assets		5,156,142	3,562,491
CURRENT ASSETS			
Trade receivables	23	88,897	63,057
Prepayments, other receivables and other assets	24	129,022	224,673
Cash and bank balances	25	884,206	581,379
		1,102,125	869,109
Assets classified as held for sale	32	93,931	–
Total current assets		1,196,056	869,109
CURRENT LIABILITIES			
Bank and other borrowings	26	232,209	436,194
Lease liabilities	27	5,670	3,374
Redeemable convertible preference shares	31	–	296,778
Trade payables, accruals and other payables	28	211,409	111,743
Income tax payable		18,431	7,284
		467,719	855,373
Liabilities directly associated with assets classified as held for sale	32	21,257	–
Total current liabilities		488,976	855,373
NET CURRENT ASSETS		707,080	13,736
TOTAL ASSETS LESS CURRENT LIABILITIES		5,863,222	3,576,227

Consolidated Statement of Financial Position

31 December 2019

	Notes	2019 USD'000	2018 USD'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	29	211,286	191,949
Bank and other borrowings	26	2,338,708	1,024,279
Lease liabilities	27	17,486	6,311
Other non-current liabilities		44,630	35,766
Total non-current liabilities		2,612,110	1,258,305
NET ASSETS		3,251,112	2,317,922
EQUITY			
Equity attributable to owners of the Company			
Issued capital	41	3,037	2,689
Perpetual capital securities	43	97,379	97,379
Equity components of redeemable convertible instruments	31	–	37,132
Other reserves	44	2,925,838	1,952,839
		3,026,254	2,090,039
Non-controlling interests	33	224,858	227,883
Total equity		3,251,112	2,317,922

Mr Jeffrey David Perlman
Director

Mr Jinchu Shen
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company													
	Issued capital (note 41)	Share premium* (note 41)	Statutory reserve* (note 44)	Merger reserve* (note 44)	Share option reserve* (note 42)	Exchange Fluctuation reserve* (note 44)	Retained profits*	Investment reserve (non-recycling)*	Equity component of redeemable convertible preference shares (note 31)	Perpetual capital instrument	Other reserve*	Total	Non-controlling interests	Total equity
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
As at 1 January 2019	2,689	1,370,398	935	56,358	25,341	(88,088)	588,788	(893)	37,132	97,379	–	2,090,039	227,883	2,317,922
Profit for the year	–	–	–	–	–	–	245,177	–	–	–	–	245,177	33,223	278,400
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	61,664	–	–	–	61,664	1,707	63,371
Exchange differences on translation of foreign operations	–	–	–	–	–	(33,432)	–	–	–	–	–	(33,432)	1,866	(31,566)
Share of other comprehensive loss of joint ventures	–	–	–	–	–	(16,003)	–	–	–	–	–	(16,003)	–	(16,003)
Total comprehensive income for the year	–	–	–	–	–	(49,435)	245,177	61,664	–	–	–	257,406	36,796	294,202
Transferred from retained profit	–	–	1,542	–	–	–	(1,542)	–	–	–	–	–	–	–
Transfer of fair value reserve of equity instruments designated at fair value through other comprehensive income	–	–	–	–	–	–	66	(66)	–	–	–	–	–	–
Profit attributable to holders of perpetual capital securities (note 43)	–	–	–	–	–	–	(8,250)	–	–	8,250	–	–	–	–
Distribution paid to holders of perpetual capital securities (note 43)	–	–	–	–	–	–	–	–	–	(8,250)	–	(8,250)	–	(8,250)
Acquisition of subsidiaries (note 34)	–	–	–	–	–	–	11,125	(11,125)	–	–	–	–	798	798
Disposal of subsidiaries	–	–	(724)	–	–	4,901	–	–	–	–	–	4,177	–	4,177
Contribution from non-controlling interests	–	–	–	–	–	–	21,220	–	–	–	–	21,220	47,166	68,386
Acquisition of non-controlling interests	–	–	–	–	–	–	1,474	–	–	–	–	1,474	(6,782)	(5,308)
Distribution to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(80,655)	(80,655)
Dividend distribution to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(348)	(348)
Issue of new shares pursuant to Global Offering (note 41)	280	601,004	–	–	–	–	–	–	–	–	–	601,284	–	601,284
Share issue expenses (note 41)	–	(11,958)	–	–	–	–	–	–	–	–	–	(11,958)	–	(11,958)
Issue of shares upon conversion of convertible preference shares	49	75,498	–	–	–	–	–	–	(7,914)	–	–	67,633	–	67,633
Issue of shares upon exercise of share options	19	7,584	–	–	(7,603)	–	–	–	–	–	–	–	–	–
Redemption of convertible preference shares	–	–	–	–	–	–	–	–	(29,218)	–	29,218	–	–	–
Settlement of share options by cash	–	–	–	–	(10,391)	–	(4,849)	–	–	–	–	(15,240)	–	(15,240)
Transfer of share options reserve upon the forfeiture of share option	–	–	–	–	(15)	–	15	–	–	–	–	–	–	–
Equity-settled share option arrangement (note 42)	–	–	–	–	18,469	–	–	–	–	–	–	18,469	–	18,469
As at 31 December 2019	3,037	2,042,526	1,753	56,358	25,801	(132,622)	853,224	49,580	–	97,379	29,218	3,026,254	224,858	3,251,112

* These reserve accounts comprise the consolidated reserves of USD2,925,838,000 in the consolidated statement of financial position as at 31 December 2019 (2018: USD1,952,839,000).

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company														
	Issued capital (note 41) USD'000	Share premium* (note 41) USD'000	Statutory reserve* (note 44) USD'000	Merger reserve* (note 44) USD'000	Share option reserve* (note 42) USD'000	Exchange Fluctuation reserve* (note 44) USD'000	Available - for-sale investment revaluation reserve* USD'000	Retained profits* USD'000	Investment reserve (non-recycling)* USD'000	Equity component of warrant instrument USD'000	Equity component of redeemable convertible preference shares (note 31) USD'000	Perpetual capital instrument USD'000	Total USD'000	Non-controlling interests USD'000	Total equity USD'000
As at 1 January 2018	2,335	972,735	742	56,358	12,345	(11,443)	(10,138)	394,470	–	26,704	37,132	98,845	1,580,085	126,555	1,706,640
Impact on initial application of IFRS 9	–	–	–	–	–	–	10,138	(701)	(9,437)	–	–	–	–	–	–
Adjusted balances as at 1 January 2018	2,335	972,735	742	56,358	12,345	(11,443)	–	393,769	(9,437)	26,704	37,132	98,845	1,580,085	126,555	1,706,640
Profit for the year	–	–	–	–	–	–	–	203,042	–	–	–	–	203,042	9,836	212,878
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	–	8,544	–	–	–	8,544	–	8,544
Exchange differences on translation of foreign operations	–	–	–	–	–	(63,180)	–	–	–	–	–	–	(63,180)	5,388	(57,792)
Share of other comprehensive loss of joint ventures	–	–	–	–	–	(13,465)	–	–	–	–	–	–	(13,465)	–	(13,465)
Total comprehensive income for the year	–	–	–	–	–	(76,645)	–	203,042	8,544	–	–	–	134,941	15,224	150,165
Issue of shares (note 41)	299	370,959	–	–	(10,161)	–	–	–	–	–	–	–	361,097	–	361,097
Transferred from retained profit	–	–	193	–	–	–	–	(193)	–	–	–	–	–	–	–
Transfer of equity component of redeemable convertible instrument	55	26,704	–	–	–	–	–	–	–	(26,704)	–	–	55	–	55
Repurchase of perpetual capital securities (note 43)	–	–	–	–	–	–	–	–	–	–	–	(1,466)	(1,466)	–	(1,466)
Profit attributable to holders of perpetual capital securities(note 43)	–	–	–	–	–	–	–	(8,192)	–	–	–	8,192	–	–	–
Distribution paid to holders of perpetual capital securities(note 43)	–	–	–	–	–	–	–	–	–	–	–	(8,192)	(8,192)	–	(8,192)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	57,442	57,442
Issuance of shares of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	15,481	15,481
Contribution from non-controlling interest	–	–	–	–	–	–	–	362	–	–	–	–	362	13,793	14,155
Dividend distribution to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(612)	(612)
Equity-settled share option arrangement (note 42)	–	–	–	–	23,157	–	–	–	–	–	–	–	23,157	–	23,157
As at 31 December 2018	2,689	1,370,398	935	56,358	25,341	(88,088)	–	588,788	(893)	–	37,132	97,379	2,090,039	227,883	2,317,922

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 USD'000	2018 USD'000
Cash flows from operating activities			
Profit before tax		360,334	270,587
Adjustments for:			
Solar insurance compensation		(1,586)	–
Depreciation of property, plant and equipment	6	4,660	1,812
Amortisation of other intangible assets	6	6,867	5,089
Depreciation of right-of-use assets	6	4,836	3,325
Fair value gains on financial assets at fair value through profit or loss	5	(74,290)	(44,937)
Fair value gains on investment properties under construction	5	(157,515)	(62,779)
Fair value gains on completed investment properties	5	(68,568)	(109,688)
Loss on disposal of items of property, plant and equipment	6	703	9,697
Share of profits and losses of joint ventures and associates, net		(93,355)	(65,372)
Equity-settled share option expense	6	18,469	23,157
Gain on remeasurement of investment in associate to fair value	5	(8,556)	–
Gains on disposal of subsidiaries	5	(16,495)	(2,662)
Finance costs	7	180,368	104,929
Interest income	5	(7,974)	(1,530)
Dividend income	5	(33,599)	(25,519)
		114,299	106,109
Increase in trade receivables		(29,668)	(21,012)
Increase in prepayments, other receivables and other assets		(15,281)	(17,238)
Increase in trade payables, accruals and other payables		18,426	27,684
Cash flows generated from operations		87,776	95,543
Income tax paid		(31,839)	(16,203)
Net cash flows generated from operating activities		55,937	79,340

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 USD'000	2018 USD'000
Cash flows used in investing activities			
Purchases of property, plant and equipment		(15,350)	(13,229)
Disposal of property, plant and equipment		33	–
Additions of other intangible assets	21	(918)	(499)
Additions of investment properties		(462,037)	(106,998)
Disposal of investment properties		217,672	–
Prepayments for acquiring land use rights		(4,297)	(8,729)
Increase in deposits for bidding of land use rights		–	(16,476)
Purchase of financial assets at fair value through profit or loss		(165,155)	(154,481)
Prepayments for financial assets at fair value through profit or loss		–	(42,763)
Dividend income from financial assets at fair value through profits or loss		14,248	–
Distribution from financial assets at fair value through profits or loss		106,388	–
Purchase of financial assets designated at fair value through other comprehensive income		(85,247)	(243,745)
Dividend income from financial assets designated at fair value through other comprehensive income		20,319	26,142
Disposal of financial assets at fair value through other comprehensive income		100,941	–
Acquisition of subsidiaries	34	(546,032)	(165,985)
Disposal of subsidiaries	36	193,324	(11,415)
Capital injection in joint ventures		(145,422)	(31,160)
Purchase of other investment		(7,530)	–
Dividend income from associates		4,221	–
Addition to investment in associates		(126)	–
Advances to related parties		(3,824)	(3,652)
Release of non-pledged fixed time deposits with maturity period over three months		15,318	–
Interest received		7,974	1,530
Increase in non-pledged fixed time deposits with maturity period over three months		(881)	(15,318)
Net cash flows used in investing activities		(756,381)	(786,778)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 USD'000	2018 USD'000
Cash flows from financing activities			
Proceeds from bank and other borrowings	30	2,079,976	584,812
Repayments of bank and other borrowings	30	(1,217,314)	(195,500)
Interest of bank and other borrowings paid	30	(122,887)	(54,615)
Increase in restricted cash	25	(2,766)	(19,294)
Release of restricted cash	25	1,022	–
Acquisition of non-controlling interests		(5,308)	–
Capital contribution from non-controlling shareholders		68,386	11,199
Distribution paid to non-controlling interests		(80,655)	–
Distribution paid to holders of perpetual capital securities	43	(8,250)	(8,192)
Release of bank deposits pledged for bank loans	25	–	29,092
Increase in pledged bank deposits for bank loans	25	(1,089)	–
Proceeds from issue of shares		601,284	361,097
Share issue expenses		(11,958)	–
Repurchase of perpetual capital securities	43	–	(1,466)
Redemption of redeemable convertible preference share	31	(228,000)	–
Interest of redeemable convertible preference shares paid	31	(39,010)	(13,031)
Repayments to related parties		(2,166)	(1,197)
Dividend paid to non-controlling shareholder of a subsidiary		(348)	(612)
Principal portion of lease payments	30	(6,478)	(3,616)
Net cash generated from financing activities		1,024,439	688,677
Net increase/(decrease) in cash and cash equivalents		323,995	(18,761)
Cash and cash equivalents at beginning of year		502,056	526,988
Effect of foreign exchange rate changes, net		631	(6,171)
Cash and cash equivalents at end of year		826,682	502,056
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		884,206	581,379
Non-pledged fixed time deposits with maturity period over three months	25	(881)	(15,318)
Restricted bank balances	25	(21,038)	(19,294)
Pledged bank deposits	25	(45,800)	(44,711)
Cash and short term deposits attributable to the disposal group held for sales	32	10,195	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		826,682	502,056

Notes to the Consolidated Financial Statements

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1. CORPORATE INFORMATION

ESR Cayman Limited (the "Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on 14 June 2011. The address of the registered office is c/o Walkers Corporate Limited, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

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

Information about subsidiaries

As at the end of 31 December 2019, the Company had direct and indirect interests in its principal subsidiaries, the particulars of which are set out below:

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai e-Shang Warehousing Services Co., Ltd.	The PRC 8 July 2011	RMB109,090,909	N/A	100%	Investment and management
Dongguan Huishang e-commerce Services Co., Ltd.	The PRC 21 December 2011	USD20,000,000	N/A	100%	Warehousing business
Langfang Weidu International Logistics Co., Ltd.	The PRC 15 March 2011	USD24,000,000	N/A	100%	Warehousing business
Jiangsu Friend Warehousing Co., Ltd.	The PRC 14 August 2003	RMB371,320,077	N/A	100%	Warehousing business
Dongguan Hongshang Warehousing Services Co., Ltd.	The PRC 24 June 2013	USD63,000,000	N/A	100%	Warehousing business
Tianjin Fanbin Warehousing Service Co., Ltd.	The PRC 22 August 2013	USD29,200,000	N/A	100%	Warehousing business
Kendall Square Logistics Properties, Inc.	South Korea 16 December 2014	KRW9,000,000,000	N/A	100%	Investment and management
Redwood Asian Investment, Ltd. ("RAIL")	Cayman Islands 5 August 2013	USD100	100%	N/A	Investment holding
ESR Singapore Pte. Ltd.	Singapore 27 November 2007	USD1	100%	N/A	Investment and management
ESR LTD	Japan 8 May 2006	JPY466,970,000	N/A	100%	Investment and management
Sunwood Singapore Holding Pte. Ltd.	Singapore 24 December 2014	USD152,014,893	N/A	95%	Investment and management
ESR Pte. Ltd.	Singapore 26 May 2017	AUD308,885,207	95.5%	N/A	Investment holding
E-Shang Infinity Cayman Ltd.	Cayman Islands 30 September 2015	USD35,243,934	N/A	100%	Investment holding
RW Higashi Ogishima TMK ("Higashi").	Japan 18 March 2016	JPY5,000,000	N/A	70%	Warehousing business
Guangzhou Mingyue Warehousing Co., Ltd.	The PRC 6 December 2012	RMB76,000,000	N/A	65%	Warehousing business

Notes to the Consolidated Financial Statements

31 December 2019

1. CORPORATE INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
ESR Funds Management (S) Limited	Singapore 14 September 2005	SGD64,714,500	N/A	67.3%	Investment and management
ESR Property Management (S) Pte. Ltd.	Singapore 4 November 2005	SGD250,000	N/A	100%	Investment and management
Shanghai Yurun Meat Food Co., Ltd.	The PRC 3 June 2010	RMB650,000,000	N/A	74%	Warehousing business
Summit (BVI) Limited	BVI 24 February 2012	USD1	100%	N/A	Investment and management
Tianjin Fanxin Warehousing Service Co., Ltd.	The PRC 17 June 2014	USD16,500,000	N/A	90%	Warehousing business
Shenyang Yibei Warehousing Service Co., Ltd.	The PRC 8 December 2015	USD15,000,000	N/A	100%	Warehousing business
Kendall Square Asset Management, Inc.	South Korea 1 September 2016	KRW2,500,000,000	N/A	100%	Investment and management
ESR HK Management Limited	Cayman Islands 29 June 2018	USD100	100%	N/A	Investment holding
Propertylink Trust	Australia 29 June 2016	AUD107,459,985	N/A	92.2%	Investment and management
Propertylink Australian Industrial Partnership	Australia 29 June 2016	AUD134,649,716	N/A	92.2%	Investment and management
ESR Asset Management (Holdings) Limited (formerly known as PropertyLink (Holdings) Limited)	Australia 3 May 2000	AUD94,440,326	N/A	92.2%	Investment and management
ESR Sachiura 3 TMK	Japan 11 January 2019	JPY5,000,000	N/A	100%	Asset holding
ESR Sachiura 4 TMK	Japan 11 January 2019	JPY5,000,000	N/A	100%	Asset holding
Lekun Warehousing (Wuxi) Co., Ltd.	The PRC 5 November 2014	USD13,900,000	N/A	100%	Warehousing business
CIP Constructions (Australia) Pty Ltd (formerly known as Commercial & Industrial Property Pty Ltd)	Australia 12 June 2003	AUD37,258,519	N/A	92.2%	Construction

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to the Consolidated Financial Statements

31 December 2019

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"), accounting principles generally accepted in Hong Kong 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. Disposal group held for sale is stated at the lower of its carrying amount and fair value less cost to sell as further explained in note 2.4. These financial statements are presented in USD, with values rounded to nearest thousand except when otherwise indicated.

All IFRSs effective for the accounting period commencing on/before 1 January 2019, including IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases, together with the relevant transitional provision, have been early adopted by the Group in the preparation of the consolidated financial statements since the adoptions.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Group has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Group's voting rights and potential voting rights

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the Consolidated Financial Statements

31 December 2019

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015-2017 Cycle	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*

Except for the amendments to IFRS 9 and IAS 19, and Annual Improvements to IFRSs 2015-2017 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

Notes to the Consolidated Financial Statements

31 December 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) IFRIC-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not adopted the following standards that have been issued but not yet effective, in the financial statements:

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor* and its Associate or Joint Venture[4]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
Amendments to IAS 1	*Classification of liabilities as current or non-current*[3]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

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

4 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Notes to the Consolidated Financial Statements

31 December 2019

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures by IASB. However, the amendments are available for adoption now.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 clarify the criteria for determining whether to classify a liability as current or non-current. The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. In addition, the amendments clarify the situations that are considered settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2022. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity, over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method, less any impairment losses.

Notes to the Consolidated Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and other comprehensive income respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

If the Group's ownership interest in a joint venture is reduced, but investment continues to be classified either as a joint venture, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Notes to the Consolidated Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, financial assets and liabilities at fair value through other comprehensive income and financial assets and liabilities at fair value through profit or loss at 31 December 2019 and 2018. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Notes to the Consolidated Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at 31 December 2019 and 2018.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at 31 December 2019 and 2018 as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Notes to the Consolidated Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity) ; and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Notes to the Consolidated Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	Estimated useful life	Estimated residual value
Motor vehicles	4 years	10%
Machinery	20 years	0%
Leasehold improvements	5 years	0%
Others	3~5 years	10%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Notes to the Consolidated Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties comprise completed property and property under construction or re-development (including the leasehold property interest held as a right-of-use asset (2018: leasehold property under an operating lease) held to earn rentals or for capital appreciation or both. Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in profit or loss in the year in which they arise.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Notes to the Consolidated Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other intangible assets (other than goodwill)

Other intangible assets acquired separately are measured on initial recognition at cost. The cost of other intangible assets acquired in a business combination is the fair value at the date of the acquisition. The useful lives of other intangible assets are assessed to be finite. Other intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the other intangible asset may be impaired. The amortisation period and the amortisation method for another intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

The principal estimated useful lives of other intangible assets are as follows:

Category	Estimated useful life	Estimated residual value
Software	3 years	0%
Management contracts	7 years	0%
Trust management rights	indefinite useful lives	0%
Customer contracts	3 years	0%
Others	indefinite useful lives	0%

Leases

Group as a lessee

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Notes to the Consolidated Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

Financial instruments

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the assets.

Notes to the Consolidated Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Investments and other financial assets (continued)

Subsequent measurement

Financial assets measured at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, and financial assets included in prepayments, other receivables and other assets.

Financial assets designated at fair value through OCI (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled in profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

The Group elected to classify irrevocably its equity investments under this category.

Notes to the Consolidated Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets measured at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Notes to the Consolidated Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition of financial assets (continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group's trade and other receivables are subject to IFRS 9's expected credit loss model.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

Notes to the Consolidated Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

General approach (continued)

The Group considers a financial asset in default when contractual payments are 150 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Notes to the Consolidated Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing bank and other borrowings, financial liabilities at fair value through profit or loss, derivative financial instruments and redeemable convertible preference shares.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derivative financial instruments

Warrant instruments are initially recognised as financial liability at fair value on the date on which the warrant instrument is issued and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair value of warrant instruments are taken directly in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Redeemable convertible instruments

The component of redeemable convertible instruments that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of transaction costs. On issuance of redeemable convertible instruments, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the redeemable convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of a redeemable convertible instruments exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the instruments is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

Preference shares

Preference share capital issued by certain subsidiaries of the Group is classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividends are discretionary. Discretionary dividends thereon are recognised as distributions within equity upon approval by the Group's shareholders.

Preference share capital issued by certain subsidiaries of the Group is classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary, and non-discretionary dividends thereon that are estimated based on profits or net assets of underlying issuers are recognised as fair value gains or losses in profit or loss.

Notes to the Consolidated Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Reclassification of financial liabilities

The nature and risk profile of a financial instrument may change as a result of a change in circumstances. From the date of such change in circumstances, the derivative component of the instruments were reclassified from financial liability to equity (absent of any other terms requiring its continued classification as financial liability).

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or canceled, or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Cash and bank balances

For the purpose of the statements of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, and restricted cash.

Notes to the Consolidated Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at 31 December 2019 expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

The Group provides for warranties in relation to the sale of certain industrial products and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by 31 December 2019, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at 31 December 2019 between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at 31 December 2019 and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at 31 December 2019 and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the year.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is acting as a principal in all of its revenue arrangements because it typically controls the goods or services before transferring them to the customer. The specific recognition criteria described below must also be met before revenue is recognised.

Management fee income

Management fee income comprise base management fees, asset management fees and development management fees which are recognised over time and leasing fee income, acquisition fee income and promote fee which are recognised at point in time.

Base management fees are derived from the management of real estate investment funds or warehousing projects. Base management fee derived from the management of real estate investment funds is determined based on the total capital commitment or net equity invested as the case may be for these funds. Asset management fee derived from the management of warehousing projects is determined based on the fair value of properties.

Development management fee is earned on a straight-line basis in accordance with the relevant project construction cost across the entire construction period.

Leasing fee income relates to fees earned in consideration of the investment manager carrying out the leasing services for the real estate investment funds.

Acquisition fee income relates to fees earned in relation to the acquisition of properties by real estate investment funds. The acquisition fee income is determined based on the value of the properties acquired and is recognised when the services have been rendered.

Promote fee income is earned when the performance targets are met.

Solar energy income

Solar energy income is recognised based on direct measurements of the value to the customer of the services transferred to date according to contracts with the customer. Revenue are recognised based on price specified in the contracts and output delivered to customers.

Construction income

Construction income is recognised in accordance with the percentage of completion method measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract. The stage of completion is measured by reference to the completion of specific milestones in the construction process. On completion of each milestone, the recoverable costs incurred during the period plus the related fee earned corresponding to the particular milestone are recognised as revenue.

Notes to the Consolidated Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from other sources

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue.

Interest income

Interest income is accounted for on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income

Dividend income is recognised when the company's right to receive payment is established.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Notes to the Consolidated Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees of the Group receive remuneration in the form of share-based payment, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at 31 December 2019 and 2018 until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share- based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is canceled, it is treated as if it had vested on the date of cancelation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the canceled award, and is designated as a replacement award on the date that it is granted, the canceled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding option is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

The employees of the Group's subsidiaries which operate in The PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit and loss as they become payable in accordance with the rules of the central pension scheme.

The employees of the Group's subsidiaries which operate in Singapore and other jurisdictions are required to participate in a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as employee benefit expenses in profit or loss in the periods during which related services are rendered by the employees.

Notes to the Consolidated Financial Statements

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 0.7% (2018: 2.5%) has been applied to the expenditure on the individual assets.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Company's functional currency is USD. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at 31 December 2019. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than USD. As at 31 December 2019, the assets and liabilities of these entities were translated into the presentation currency of the Company at the exchange rates prevailing at 31 December 2019 and their statements of profit or loss are translated into USD at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statements of cash flows, the cash flows of overseas subsidiaries are translated into USD at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into USD at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Notes to the Consolidated Financial Statements

31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Judgement (continued)

Deferred tax liabilities for withholding tax

Pursuant to The PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in The PRC (A lower withholding tax rate may be applied if there is a tax treaty between PRC and the jurisdiction of the foreign investors). As at 31 December 2019 and 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and joint ventures established in The PRC. No deferred taxation has been provided for the distributable retained profits of approximately USD11,758,000 as at 31 December 2019 (2018: USD3,766,000), which were derived from The PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Whether the presumption that investment properties stated at fair value are recovered through sale or use in determining deferred tax

As of 31 December 2019, deferred tax liabilities amounting to USD178,353,000(2018: USD164,768,000), has been provided for the revaluation of investment properties. The Group determines that these deferred tax liabilities are recognised based on the presumption that the investment properties stated at fair value are recovered through use rather than sale. Further details are given in note 29.

Consolidation of structured entities

The management makes significant judgment on whether to control and consolidate structured entities. The decision outcome impacts accounting methodologies in use and the financial and operational results of the Group.

When assessing control, the Group considers: (1) the level of control of the investor over the investee; (2) variable returns gained through participation of relevant activities of the investee; and (3) the amount of return gained from using its power over the investee.

When assessing the level of control over the structured entities, the Group considers the following four aspects:

- the degree of participation when establishing the structured entities;
- contractual arrangements;
- activities that take place only at special occasions or occurring events; and
- commitments made to the investee from the Group.

When assessing whether there is control over the structured entities, the Group also considers whether the decisions it makes are as a principal or as an agent. Aspects of considerations normally include the decision-making scope over the structured entities, substantive rights of third parties, reward of the Group, and the risk of undertaking variable returns from owning other benefits of the structured entities.

Notes to the Consolidated Financial Statements

31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at 31 December 2019, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2019 was USD340,243,000(2018: USD285,382,000). Further details are given in note 20.

Impairment of trade receivables

Before 1 January 2018, the provision policy for impairment of receivables of the Group was based on ongoing assessment of the recoverability and the aging analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement was required in assessing the ultimate realisation of those receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required.

From 1 January 2018, the impairment loss in respect of trade and other receivables of the Group is based on the evaluation of collectability and aging analysis of trade and other receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of those receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of the debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 23 and note 24.

Notes to the Consolidated Financial Statements

31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Estimation uncertainty (continued)

Fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(1) current prices in an active market for properties of a different nature, condition or location or subject to different lease or other contracts, adjusted to reflect those differences;

(2) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(3) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2019 was USD2,785,926,000(2018: USD1,885,502,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 19 to the financial statements.

Fair value of financial instruments

If the market for a financial instrument is not active, the Group estimates fair value by using a valuation technique. Valuation techniques include using recent prices in arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, or discounted cash flow analyzes and option pricing models. To the extent practicable, valuation technique makes the maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at 31 December 2019. Other intangible assets with indefinite life are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Notes to the Consolidated Financial Statements

31 December 2019

4. OPERATING SEGMENT INFORMATION

For fund management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) The investment segment is divided into three main categories: (i) properties that the Group holds on balance sheet, from which the Group derives total return, including rental income and appreciation in value, (ii) co-investments funds and investment vehicles and the REIT the Group manages, from which the Group derives dividend income, pro rata earnings and/or pro rata value appreciation, and (iii) other investments.

(b) The fund management segment earns fee income for managing assets on behalf of the Group's capital partners via funds and investment vehicles. The Group's fees include base management fees, asset fund management fees, acquisition fees, development fees and leasing fees, as well as promote fees upon reaching or exceeding certain target internal rate of return and after the Group's capital partners have received their targeted capital returns.

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, exchange differences, depreciation and amortisation, equity-settled share option expense, a gain on deemed partial disposal of a joint venture as well as head office and corporate expenses are excluded from such measurement.

Notes to the Consolidated Financial Statements

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4. OPERATING SEGMENT INFORMATION (continued)

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

	Year ended 31 December 2019			
	Investment USD'000	Fund management USD'000	Development USD'000	Total USD'000
Segment revenue	120,790	166,721	69,858	357,369
– Intersegment sales	–	187	–	187
	120,790	166,908	69,858	357,556
Reconciliation:				
Elimination of intersegment sales	–	(187)	–	(187)
Revenue from continuing operations	120,790	166,721	69,858	357,369
Operating expenses	(35,461)	(35,453)	(97,583)	(168,497)
Fair value gains on investment properties	68,568	–	157,515	226,083
Changes in fair value of financial assets and liabilities at fair value through profit or loss	35,533	–	38,757	74,290
Share of profits and losses of joint venture and associate	33,058	557	59,740	93,355
Gain on disposal of subsidiaries	–	–	16,495	16,495
Dividend income	33,599	–	–	33,599
Segment result	256,087	131,825	244,782	632,694
Reconciliation:				
Depreciation and amortisation				(16,363)
Exchange loss				(1,111)
Interest income				7,974
Other unallocated gains				11,124
Corporate and other unallocated expenses				(75,147)
Finance costs				(180,368)
Equity-settled share option expense				(18,469)
Profit before tax from continuing operations				360,334
Other segment information:				
Depreciation and amortisation				(16,363)
Capital expenditure*				1,340,032
Investments in joint ventures				697,996

Notes to the Consolidated Financial Statements

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4. OPERATING SEGMENT INFORMATION (continued)

	Year ended 31 December 2018			
	Investment USD'000	Fund management USD'000	Development USD'000	Total USD'000
Segment revenue	77,904	135,579	40,665	254,148
– Intersegment sales	–	895	–	895
	77,904	136,474	40,665	255,043
Reconciliation:				
Elimination of intersegment sales	–	(895)	–	(895)
Revenue from continuing operations	77,904	135,579	40,665	254,148
Operating expenses	(22,887)	(25,978)	(57,544)	(106,409)
Fair value gains on investment properties	109,688	–	62,779	172,467
Changes in fair value of financial assets and liabilities at fair value through profit or loss	13,196	–	31,741	44,937
Share of profits and losses of joint venture and associate	30,172	–	35,200	65,372
Gain on disposal of subsidiaries	–	–	2,662	2,662
Dividend income	25,519	–	–	25,519
Segment result	233,592	109,601	115,503	458,696
Reconciliation:				
Depreciation and amortisation				(10,226)
Exchange loss				(869)
Interest income				1,530
Other unallocated gains				7,190
Corporate and other unallocated expenses				(57,648)
Finance costs				(104,929)
Equity-settled share option expense				(23,157)
Profit before tax from continuing operations				270,587
Other segment information:				
Depreciation and amortisation				(10,226)
Capital expenditure*				646,396
Investments in joint ventures				404,699
Investments in associates				9,334

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

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4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2019 USD'000	2018 USD'000
The PRC	89,556	89,008
Japan	82,213	64,325
South Korea	44,415	37,861
Singapore	21,895	21,701
Australia	117,108	41,253
India	2,182	–
	357,369	254,148

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

(b) Non-current assets

	2019 USD'000	2018 USD'000
The PRC	1,862,772	1,701,925
Japan	958,131	645,027
South Korea	281,705	180,798
Singapore	137,885	104,382
Australia	721,024	96,790
India	38,729	–
	4,000,246	2,728,922

The non-current asset information of continuing operations above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Since no revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the years ended 31 December 2019 and 2018, no major customer information is presented in accordance with IFRS 8 Operating Segments.

Notes to the Consolidated Financial Statements

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5. REVENUE, OTHER INCOME AND GAINS

(a) Revenue

An analysis of revenue is as follows:

	2019 USD'000	2018 USD'000
Rental income from investment property operating leases (note (i))	118,042	74,311
Management fee income	166,721	135,579
Construction income	69,858	40,665
Solar energy income	2,748	3,593
Total	357,369	254,148

Timing of revenue recognition

	2019 USD'000	2018 USD'000
Rental income from investment property operating leases	118,042	74,311
Point in time		
Management fee income	59,627	45,273
Over time		
Management fee income	107,094	90,306
Construction income	69,858	40,665
Solar energy income	2,748	3,593
	357,369	254,148

Note:

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

Performance obligations

Information about the Group's performance obligations is summarised below:

Construction services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing.

Management services

For base management fees, asset management fees and development management fees, the performance obligation is satisfied over time as services are rendered. For acquisition and leasing fees, the performance obligation is satisfied at a point in time upon the successful acquisition of properties and carrying out leasing services, as the customers only receive and consume the benefits provided by the Group upon the successful acquisition and leasing services.

Notes to the Consolidated Financial Statements

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5. REVENUE, OTHER INCOME AND GAINS (continued)

(a) Revenue (continued)

Performance obligations (continued)

Solar energy sales

Performance obligations in the contract are the provision of electricity power through the solar panels to the electric power company. They are provided continuously over the contractual period, so the services in the contract represent a single performance obligation. The electric power company simultaneously receives and consumes the benefits provided by the Group.

The amount of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 and 2018 are as follows:

	2019 USD'000	2018 USD'000
Within one year	77,794	46,460
After one year	–	2,100
	77,794	48,560

The amount of transaction prices allocated to remaining performance obligations relate to construction services that are normally to be satisfied within one year, of which the amounts disclosed above do not include variable consideration which is constrained; and promote fee relates to management services to which management has exercised judgment in applying constraint on the recognition of the promote fee income.

(b) Other income and gains

	Notes	2019 USD'000	2018 USD'000
Fair value gains on completed investment properties	19	68,568	109,688
Fair value gains on investment properties under construction	19	157,515	62,779
Changes in fair value of financial assets and liabilities at fair value through profit or loss		74,290	44,937
Gain on disposal of subsidiaries	36	16,495	2,662
Gain on remeasurement of an investment in an associate to fair value		8,556	–
Dividend income		33,599	25,519
Interest income		7,974	1,530
Others		2,568	7,190
		369,565	254,305

Notes to the Consolidated Financial Statements

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6. PROFIT BEFORE TAX

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

(a) Employee benefit expense

	2019 USD'000	2018 USD'000
Wages and salaries (including directors' and chief executive's remuneration)	84,123	52,412
Equity-settled share option expense (note 42)	18,469	23,157
Pension scheme contributions	5,530	3,890
	108,122	79,459

(b) Other items

	Notes	2019 USD'000	2018 USD'000
Construction cost*		68,167	39,645
Other tax expenses		6,725	8,884
Professional service fee		37,560	19,799
Auditor's remuneration:			
– audit services		4,903	1,498
– non-audit services		1,383	1,144
Exchange losses		1,111	869
Entertainment fee		2,367	2,052
Depreciation of property, plant and equipment	13	4,660	1,812
Amortisation of other intangible assets	21	6,867	5,089
Depreciation of right-of-use assets	14	4,836	3,325
Fair value gains on investment properties	19	(226,083)	(172,467)
Loss on disposal of items of property, plant and equipment		703	9,697

* The construction costs for the years ended 31 December 2019 and 2018 are included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements

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7. FINANCE COSTS

	2019 USD'000	2018 USD'000
Interest expense on bank loans	85,244	39,603
Interest expense on other borrowings (note (i))	21,616	21,718
Interest expense on bonds	37,507	–
Interest expense on lease liabilities	1,897	428
Interest on redeemable convertible preference shares (note (ii))	37,865	45,610
	184,129	107,359
Less: Interest capitalised	3,761	2,430
	180,368	104,929

Notes:

(i) For the years ended 31 December 2019, interest expense on other borrowings includes interest expense for USD300 million notes issued by the Company to Hana Private Real Estate Investment Trust No. 16 and No. 17 ("Hana Notes") amounted to USD17,722,000 (2018: USD20,775,000). The Company had fully repaid Hana Notes on 6 November 2019.

(ii) For the years ended 31 December 2019, interest on redeemable convertible preference shares includes dividend on redeemable convertible preference shares amounting to USD9,932,000 (2018: USD12,960,000), and costs associated with the equity element of the Class C Preference Shares amounting to USD27,933,000 (2018: USD32,650,000). The Company had redeemed in full previously unconverted Class C Preference Shares on 6 November 2019.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2019 USD'000	2018 USD'000
Fees	70	–
Other emoluments:		
Consulting fee (note (i))	6,392	3,846
Salaries, allowances and benefits in kind	1,511	765
Equity-settled share option expense (note (ii))	5,333	7,599
Pension scheme contributions	15	38
	13,251	12,248
	13,321	12,248

Notes:

(i) The fees represent the consulting fee paid by the Group to Redwood Consulting (Cayman) Limited ("Redwood Consulting") and other entities that are associated with the executive directors.

(ii) These equity-settled share options are granted to Redwood Consulting and an entity associated with Mr. Jinchu Shen.

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 42 to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

Mr. Brett Harold Krause, Mr. Robin Tom Holdsworth, The Right Honourable Sir Hugo George William Swire, KCMG, Mr. Simon James McDonald and Ms. Jingsheng Liu were appointed as independent non-executive directors of the Company on 22 October 2019.

The fees paid to independent non-executive directors during the year were as follows:

	2019 **USD'000**
Mr Brett Harold Krause	15
Mr Robin Tom Holdsworth	12
The Right Honourable Sir Hugo George William Swire, KCMG	15
Mr Simon James McDonald	16
Ms Jingsheng Liu (劉京生)	12
	70

There were no other emoluments payable to the independent non-executive directors during the year.

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors and non-executive directors

2019	Fees USD'000	Salaries, allowances and benefits in kind USD'000	Equity-settled share option expenses USD'000	Pension scheme contributions USD'000	Total USD'000
Executive directors:					
Mr Jinchu Shen (沈晉初)	–	377	–	6	383
Mr Stuart Gibson	–	567	–	–	567
Mr Charles Alexander Portes	–	567	–	9	576
	–	1,511	–	15	1,526
Entities associated with the executive directors:					
Entity associated with Mr Jinchu Shen	2,377	–	1,000	–	3,377
Redwood Consulting	4,015	–	4,333	–	8,348
	6,392	–	5,333	–	11,725
Non-executive directors:					
Mr Jeffrey David Perlman	–	–	–	–	–
Mr Joseph Raymond Gagnon	–	–	–	–	–
Mr Zhenhui Wang (王振輝)	–	–	–	–	–
Mr Ho Jeong Lee	–	–	–	–	–
Mr Hongpei Chen (note (i))	–	–	–	–	–
Mr Yijun Xu (note (i))	–	–	–	–	–
Mr Graeme Torre (note (i))	–	–	–	–	–
	–	–	–	–	–
	6,392	1,511	5,333	15	13,251

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

No compensation was paid or receivable by directors or past directors for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group during the year.

Note:

(i) As at 31 December 2019, Mr. Hongpei Chen, Mr. Yijun Xu and Mr. Graeme Torre were no longer the non-executive directors of the Group.

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors and non-executive directors (continued)

2018	Fees USD'000	Salaries, allowances and benefits in kind USD'000	Equity-settled share option expenses USD'000	Pension scheme contributions USD'000	Total USD'000
Executive directors:					
Mr Jinchu Shen (沈晉初)	–	125	–	27	152
Mr Stuart Gibson	–	320	–	–	320
Mr Charles Alexander Portes	–	320	–	11	331
	–	765	–	38	803
Entities associated with the executive directors:					
Entity associated with Mr Jinchu Shen	1,426	–	1,425	–	2,851
Redwood Consulting	2,420	–	6,174	–	8,594
	3,846	–	7,599	–	11,445
Non-executive directors:					
Mr Jeffrey David Perlman	–	–	–	–	–
Mr Joseph Raymond Gagnon	–	–	–	–	–
Mr Zhenhui Wang (王振輝) (note (i))	–	–	–	–	–
Mr Ho Jeong Lee	–	–	–	–	–
Mr Willem Albertus Hazeleger (note (ii))	–	–	–	–	–
Mr Hongpei Chen	–	–	–	–	–
Mr Yijun Xu	–	–	–	–	–
Mr Graeme Torre (note (iii))	–	–	–	–	–
	–	–	–	–	–
	3,846	765	7,599	38	12,248

No compensation was paid or receivable by directors or past directors for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group during the year.

Notes:

(i) Mr. Zhenhui Wang was appointed on 10 May 2018.

(ii) Mr. Willem Albertus Hazeleger resigned on 11 June 2018.

(iii) Mr. Graeme Torre was appointed on 11 July 2018.

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2018: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2018: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 USD'000	2018 USD'000
Salaries, allowances and benefits in kind	2,294	1,601
Equity-settled share option expense	1,158	1,656
Pension scheme contributions	15	13
	3,467	3,270

The numbers of non-director highest paid employees whose remuneration fell within the following bands are as follows:

	Number of employees	
	2019	2018
HK$9,500,001 to HK$10,000,000	–	1
HK$11,500,001 to HK$12,000,000	1	–
HK$15,500,001 to HK$16,000,000	1	1
	2	2

During the year and in prior years, share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 42 to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

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10. INCOME TAX EXPENSE

	2019 USD'000	2018 USD'000
Current tax	40,903	13,871
Deferred tax (note 29)	41,031	43,838
	81,934	57,709

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Law and is exempted from the payment of Cayman Islands income tax.

During the year, Hong Kong profits tax has been provided at the rate of 16.5% on the assessable profits arising in Hong Kong (2018: 16.5%).

During the year, the subsidiaries incorporated in The PRC are subject to PRC income tax at the rate of 25% (2018: 25%).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

A reconciliation of the tax expense applicable to profit before tax using the applicable rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2019 USD'000	2018 USD'000
Profit before tax	360,334	270,587
Tax at the statutory tax rates	84,280	66,940
Profits attributable to joint ventures	(15,012)	(7,884)
Income not subject to tax	(11,824)	(6,323)
Non-deductible expenses	3,077	2,385
Effect of withholding tax	17,727	1,372
Unrecognised deductible temporary differences	1,109	258
Adjustment of current tax of previous periods	(257)	304
Utilisation of tax losses not recognised in previous periods	(4,516)	–
Tax losses not recognised	7,345	657
Others	5	–
Tax charge	81,934	57,709

During the year, the share of tax attributable to joint ventures of USD15,012,000 (2018: USD7,884,000), is included in "Share of profits and losses of joint ventures" in the consolidated statement of profit or loss and other comprehensive income.

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11. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2018: nil).

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS OF THE COMPANY

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year. The weighted average number of ordinary shares of 2,750,966,000 (2018: 2,566,494,000) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the preference shares where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2019 **USD'000**	**2018** **USD'000**
Earnings:		
Profit attributable to ordinary shareholders of the Company, used in the basic earnings per share calculation	245,177	203,042

	2019 **'000**	**2018** **'000**
Number of shares:		
Weighted average number of ordinary shares in issue, used in the basic earnings per share calculation	2,750,966	2,566,494
Effect of dilution — weighted average number of ordinary shares		
Derivative financial instruments	–	2,847
Share options	70,831	78,944
	2,821,797	2,648,285

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13. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles USD'000	Machinery USD'000	Leasehold improvements USD'000	Others USD'000	Total USD'000
31 December 2019					
At 31 December 2018 and at 1 January 2019:					
Cost	670	17,802	3,376	5,189	27,037
Accumulated depreciation	(385)	(1,290)	(1,293)	(3,008)	(5,976)
Net carrying amount	285	16,512	2,083	2,181	21,061
At 1 January 2019, net of accumulated depreciation	285	16,512	2,083	2,181	21,061
Additions	248	11,665	737	2,700	15,350
Acquisition of subsidiaries (note 34)	54	–	166	182	402
Disposals	(18)	(611)	(22)	(15)	(666)
Disposal of subsidiaries (note 36)	–	–	–	(2)	(2)
Depreciation provided during the year	(193)	(1,069)	(1,606)	(1,792)	(4,660)
Reclassification to asset held for sale	–	–	–	(2)	(2)
Exchange realignment	(9)	49	(29)	(13)	(2)
At 31 December 2019, net of accumulated depreciation	367	26,546	1,329	3,239	31,481
At 31 December 2019:					
Cost	935	28,857	4,176	7,963	41,931
Accumulated depreciation	(568)	(2,311)	(2,847)	(4,724)	(10,450)
Net carrying amount	367	26,546	1,329	3,239	31,481

Notes to the Consolidated Financial Statements

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Motor vehicles USD'000	Machinery USD'000	Leasehold improvements USD'000	Others USD'000	Construction in process USD'000	Total USD'000
31 December 2018						
At 1 January 2018:						
Cost	235	6,736	1,585	2,992	8,418	19,966
Accumulated depreciation	(163)	(341)	(877)	(1,225)	–	(2,606)
Net carrying amount	72	6,395	708	1,767	8,418	17,360
At 1 January 2018, net of accumulated depreciation	72	6,395	708	1,767	8,418	17,360
Additions	29	–	293	628	12,279	13,229
Acquisition of subsidiaries	268	–	1,446	367	–	2,081
Disposals	(13)	(9,632)	–	(52)	–	(9,697)
Depreciation provided during the year	(57)	(948)	(293)	(514)	–	(1,812)
Transfer from construction in progress	–	20,697	–	–	(20,697)	–
Exchange realignment	(14)	–	(71)	(15)	–	(100)
At 31 December 2018, net of accumulated depreciation	285	16,512	2,083	2,181	–	21,061
At 31 December 2018:						
Cost	670	17,802	3,376	5,189	–	27,037
Accumulated depreciation	(385)	(1,290)	(1,293)	(3,008)	–	(5,976)
Net carrying amount	285	16,512	2,083	2,181	–	21,061

At 31 December 2019, certain of the Group's property, plant and equipment with a carrying amount of USD26,546,000 (2018: USD16,512,000) were pledged to secure bank and other borrowings granted to the Group as disclosed in note 26.

Notes to the Consolidated Financial Statements

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14. RIGHT-OF-USE ASSETS

	Office premise USD'000	Equipment USD'000	Total USD'000
31 December 2019			
At 31 December 2018 and at 1 January 2019:			
Cost	12,406	3,091	15,497
Accumulated depreciation	(6,245)	(162)	(6,407)
Net carrying amount	6,161	2,929	9,090
At 1 January 2019, net of accumulated depreciation	6,161	2,929	9,090
Additions	5,099	206	5,305
Acquisition of subsidiaries (note 34)	2,379	–	2,379
Depreciation provided during the year	(4,672)	(164)	(4,836)
Exchange realignment	(124)	17	(107)
At 31 December 2019, net of accumulated depreciation	8,843	2,988	11,831
At 31 December 2019:			
Cost	18,715	3,314	22,029
Accumulated depreciation	(9,872)	(326)	(10,198)
Net carrying amount	8,843	2,988	11,831

	Office premise USD'000	Equipment USD'000	Total USD'000
31 December 2018			
At 1 January 2018:			
Cost	9,776	865	10,641
Accumulated depreciation	(3,124)	(35)	(3,159)
Net carrying amount	6,652	830	7,482
At 1 January 2018, net of accumulated depreciation	6,652	830	7,482
Additions	1,357	2,202	3,559
Acquisition of subsidiaries	1,553	–	1,553
Depreciation provided during the year	(3,199)	(126)	(3,325)
Exchange realignment	(202)	23	(179)
At 31 December 2018, net of accumulated depreciation	6,161	2,929	9,090
At 31 December 2018:			
Cost	12,406	3,091	15,497
Accumulated depreciation	(6,245)	(162)	(6,407)
Net carrying amount	6,161	2,929	9,090

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15. INVESTMENTS IN JOINT VENTURES

	As at 31 December 2019 USD'000	As at 31 December 2018 USD'000
Share of net assets	697,994	404,697
Goodwill on retaining interests in joint ventures	2	2
	697,996	404,699

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

Name	Registered share capital	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
E-Shang Star Cayman Limited ("E-Shang Star")	USD5,038,674	Cayman Islands	25.62%	33.33%	25.62%	Investment holding
Sunwood Star Pte. Ltd. ("Sunwood Star")	USD787,191,715	Singapore	20.00%	33.33%	20.00%	Investment holding

Note:

Unanimous agreements with the two joint venture investors are required for E-Shang Star and Sunwood Star, respectively.

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15. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the summarised financial information in respect of E-Shang Star adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2019 USD'000	2018 USD'000
Cash and bank balances	115,117	124,443
Other current assets	43,527	38,637
Current assets	158,644	163,080
Non-current assets	1,480,296	1,273,423
Financial liabilities, excluding trade and other payables	(90,013)	(3,369)
Other current liabilities	(372)	(111,811)
Current liabilities	(90,385)	(115,180)
Non-current financial liabilities, excluding trade and other payables	(357,497)	(304,694)
Other non-current liabilities	(174,610)	(157,230)
Non-current liabilities	(532,107)	(461,924)
Net assets	1,016,448	859,399
Proportion of the Group's ownership	25.62%	25.62%
Carrying amount of the investment	248,563	220,178
Revenue	63,868	51,462
Interest income	384	1,649
Depreciation and amortisation	(25)	(15)
Interest expenses	(20,621)	(17,601)
Tax	(30,318)	(33,418)
Profit for the year	80,492	89,071
Total comprehensive income for the year	43,698	44,014

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15. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the summarised financial information in respect of Sunwood Star adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2019 USD'000	2018 USD'000
Cash and bank balances	30,986	12,963
Other current assets	177,900	95,067
Current assets	208,886	108,030
Non-current assets	1,719,620	1,225,541
Financial liabilities, excluding trade and other payables	(21,556)	(684)
Other current liabilities	(3,361)	(20,164)
Current liabilities	(24,917)	(20,848)
Non-current financial liabilities, excluding trade and other payables	(375,015)	(335,506)
Other non-current liabilities	(140,242)	(93,100)
Non-current liabilities	(515,257)	(428,606)
Net assets	1,388,332	884,117
Proportion of the Group's ownership	20.00%	20.00%
Carrying amount of the investment	277,020	176,823
Revenue	36,685	–
Interest income	6,263	(1)
Interest expenses	(12,814)	(6,086)
Tax	(56,411)	(46,157)
Profit for the year	295,759	225,629
Total comprehensive income for the year	263,109	204,205

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2019 USD'000	2018 USD'000
Share of the joint ventures' profit for the year	14,064	–
Share of the joint ventures' total comprehensive (loss)/income for the year	(2,641)	2,363
Aggregate carrying amount of the Group's investments in the joint ventures	172,413	7,696

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16. INVESTMENT IN AN ASSOCIATE

	As at 31 December 2019 USD'000	As at 31 December 2018 USD'000
Share of net assets	–	6,941
Goodwill on acquisition	–	2,393
	–	9,334

Particulars of the Group's associate are as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Effective percentage of ownership interest attributable to the Group	Principal activity
Sabana Investment Partners Pte. Ltd.	Ordinary shares	Singapore	42.8%	Investment holding

Note:

On 28 June 2019, the Group has, through its wholly-owned subsidiary Infinitysub Pte. Ltd., completed the acquisition of 51% interest in Sabana Investment Partners Pte. Ltd. ("SIP") from Vibrant Group Limited (Vibrant). The Group previously has 42.8% interest in SIP. After the acquisition, the Group accounts for its 93.8% interest in SIP as an investment in subsidiary (Note 34).

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2019 USD'000	As at 31 December 2018 USD'000
Unquoted equity interests, at fair value[i]	589,417	335,771

Note:

(i) The fair value of these investments is estimated based on the Group's share of the net asset value of the investment funds and associates.

In accordance with the exemption in IAS 28 Investments in associates, the Group does not account for its investments in associates and joint venture using equity method if the Group acts as investment fund managers. Instead, the Group has elected to measure its investments in associates and joint ventures at fair value through profit or loss in accordance with IFRS 9. This exemption is related to the fact that fair value measurement provides more useful information for users of the financial statements than application of the equity method. This is an exemption from the requirement to measure interests in associates using the equity method, rather than an exception to the scope of IAS 28 for the accounting for associates and a joint venture.

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17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Particulars of the material associates and a joint venture are summarised below:

Name of associates and joint venture	Principal activity	Country of incorporation/ registration	Effective ownership interest As at 31 December 2019 %	2018 %
Redwood Fujiidera Pte. Ltd.	Investment holding	Singapore	33.18	33.18
RW Midori-Ku Pte. Ltd.	Investment holding	Singapore	40.00	40.00
RW Noda Pte. Ltd.	Investment holding	Singapore	40.00	40.00
RW Chigasaki Pte. Ltd.	Investment holding	Singapore	20.10	20.10
Redwood Kawasaki Pte. Ltd.	Investment holding	Singapore	20.10	20.10
RW Moriya Pte. Ltd.	Investment holding	Singapore	20.10	20.10
ESR Japan Core Fund Limited Partnership	Investment holding	Singapore	29.10	29.10
ESR India Logistics Fund Pte. Ltd.[ii]	Investment holding	Singapore	100	100
Jiangsu Yitian Warehousing Service Co., Ltd.	Warehousing business	The PRC	16.25	16.25
Taicang Mingzhan Logistics Company Limited	Warehousing business	The PRC	16.25	16.25
Shanghai Fengyuan Logistic Co., Ltd.	Warehousing business	The PRC	16.25	16.25

Note:

(ii) The group are in the process of issuing 50% of the shares in the India Fund to joint venture partner.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December 2019 USD'000	As at 31 December 2018 USD'000
Listed equity investments, at market value	542,925	484,239

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

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18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

During the year, the gain in respect of the Group's listed equity investments recognised in other comprehensive income amounted to USD63,371,000 (2018: USD8,544,000).

During the year, the dividend income in respect of the Group's listed equity investments recognised in other comprehensive income amounted to USD19,351,000 (2018: USD21,390,000).

The listed equity investments comprise:

Listed on	**Fair value as at 31 December 2019 USD'000**
Australian Securities Exchange ("ASX")	
• Investment A	99,931
Hong Kong Exchanges and Clearing Limited ("HKEX")	
• Investment B	172,433
Singapore Exchange Securities Trading Limited ("SGX")	
• Investment C	119,866
• Investment D	74,870
• Investment E	75,825

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

Listed equity investments at market value with a fair value of USD205,505,000 as at 31 December 2019 (2018: USD122,176,000) had been pledged to secure bank and other borrowings granted to the Group (note 26).

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19. INVESTMENT PROPERTIES

	Completed investment properties USD'000	Investment properties under construction USD'000	Total USD'000
At 1 January 2018	1,010,682	178,521	1,189,203
Additions	4,287	94,897	99,184
Acquisition of subsidiaries	467,959	25,699	493,658
Changes in fair values of investment properties	109,688	62,779	172,467
Transfer from investment properties under construction to completed investment properties	45,801	(45,801)	–
Disposal of subsidiaries	(514)	–	(514)
Exchange realignment	(54,844)	(13,652)	(68,496)
At 31 December 2018 and 1 January 2019	1,583,059	302,443	1,885,502
Additions	56,555	472,869	529,424
Acquisition of subsidiaries (note 34)	767,380	7,155	774,535
Changes in fair values of investment properties	68,568	157,515	226,083
Transfer from investment properties under construction to completed investment properties	101,598	(101,598)	–
Transfer from completed investment properties to investment properties under construction for redevelopment	(392,285)	392,285	–
Reclassification to asset held for sale (note 32)	(83,519)	–	(83,519)
Disposal of subsidiaries (note 36)	(276,711)	–	(276,711)
Disposal	(231,110)	–	(231,110)
Exchange realignment	(34,783)	(3,495)	(38,278)
At 31 December 2019	1,558,752	1,227,174	2,785,926

(a) All completed investment properties and investment properties under construction of the Group were revalued at 31 December 2019 based on valuation performed by independent professionally qualified valuers, Beijing Colliers International Real Estate Valuation Co., Ltd., CBRE Valuation Pty Limited, Jones Lang LaSalle Advisory Services Pty Ltd. and Cushman & Wakefield K.K. at fair value. They are industry specialists in investment property valuation.

In determining fair value, a combination of approaches and methods were used, including the Direct Comparison Method and Discounted Cash Flow Method. The Direct Comparison Method is applied based on the market prices of comparable properties. Comparable properties with similar sizes, characters and locations were analyzed, and weighted against all respective advantages and disadvantages to arrive at the fair value of the property. The Discounted Cash Flow Method measures the value of a property by the present worth of the net economic benefit to be received over the life of the asset.

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19. INVESTMENT PROPERTIES (continued)

(b) Completed investment properties leased out under operating leases

The Group leases out completed investment properties under operating lease arrangements. All leases run for a period of one to ten years, with an option to renew the leases after the expiry dates, at which time all terms will be renegotiated. The Group's total future minimum lease receivables under non-cancellable operating leases generated from completed investment properties are as follows:

	As at 31 December 2019 USD'000	As at 31 December 2018 USD'000
Within one year	103,453	82,472
After one year but within two years	89,430	72,997
After two years but within three years	68,636	53,194
After three years but within four years	43,894	49,534
After four years but within five years	27,326	32,109
After five years	59,130	18,667
	391,869	308,973

(c) Certain of the Group's completed investment properties and investment properties under construction with a fair value of USD1,899,602,000 (2018: USD1,591,741,000) were pledged to secure bank and other borrowings granted to the Group as disclosed in note 26.

(d) Fair value hierarchy

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

	As at 31 December 2019 USD'000	As at 31 December 2018 USD'000
Significant observable inputs (Level 2)	233,089	20,202
Significant unobservable inputs (Level 3)	2,552,837	1,865,300
	2,785,926	1,885,502

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 (2018: nil).

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19. INVESTMENT PROPERTIES (continued)

(d) Fair value hierarchy (continued)

The movement in fair value measurements within Level 3 during the years ended 31 December 2019 and 2018 are as follows:

	2019 USD'000	2018 USD'000
At 1 January	1,865,300	1,052,997
Additions	333,437	51,888
Acquisition of subsidiaries	774,535	493,658
Changes in fair value of investment properties	192,178	151,271
Transfer from Level 2 to Level 3	20,202	176,952
Reclassification to asset held for sale	(83,519)	–
Disposal of subsidiaries	(276,711)	(514)
Disposal	(231,110)	–
Exchange realignment	(41,475)	(60,952)
	2,552,837	1,865,300

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

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

Investment property details	Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Warehouse properties	Income capitalisation	**Capitalisation rate:** The PRC: 5.25% to 6.50% (2018: 6.15% to 7.10%) Japan: 4.20% to 4.50% (2018: 4.10% to 5.00%) Australia: 5.25% to 7.75% (2018: Nil)	The estimated fair value varies inversely against the capitalisation rate
	Discounted cash flow	**Discount rate:** The PRC: 8.5% to 9.0% (2018: 8.5% to 9.0%) Japan: 3.90% to 4.50% (2018: 4.00%) Australia: 5.75% to 8.00% (2018: Nil)	The estimated fair value varies inversely against the discount rate
		Terminal capitalisation rate: The PRC: 5.25% to 6.50% (2018: 6.15% to 7.10%) Japan: 4.20% to 4.50% (2018: 4.10% to 5.00% Australia: 5.25% to 7.75% (2018: Nil)	The estimated fair value varies inversely against the terminal capitalisation rate

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20. GOODWILL

	USD'000
At 1 January 2018	
Cost	226,232
Accumulated impairment	–
Net carrying amount	226,232
Cost at 1 January 2018, net of accumulated impairment	226,232
Acquisition of subsidiaries	59,150
At 31 December 2018	285,382
At 31 December 2018	
Cost	285,382
Accumulated impairment	–
Net carrying amount	285,382
Cost at 1 January 2019, net of accumulated impairment	285,382
Acquisition of subsidiaries (note 34)	54,861
At 31 December 2019	340,243
At 31 December 2019	
Cost	340,243
Accumulated impairment	–
Net carrying amount	340,243

Impairment testing of goodwill

As of 31 December 2018, goodwill acquired through business combinations is allocated to Redwood asset management business cash-generating unit, Infinitysub asset management business cash-generating unit, CIP business cash-generating unit and VITM business cash-generating unit for impairment testing.

In 2019, the Group completed the consolidation of Infinitysub (manager of ESR-REIT) asset management business and VITM asset management business pursuant to the merger of ESR-REIT and VIT ("VIT Merger") in October 2018. Consequently, as of 31 December 2019, the original Infinitysub asset management business cash-generating unit and VITM business cash-generating unit have been consolidated as a single cash-generating unit namely Infinitysub asset management business.

Following to acquisition of PLG Group as subsidiary of the Group in March 2019, CIP business and PLG Group are now sharing the same management and consolidated as a single cash-generating unit namely ESR Australia asset management business. The cash flow projections is derived based on financial budgets after taking into account the consolidated cash-generating unit.

As of 31 December 2019, the Group's goodwill impairment testing is allocated to Redwood asset management business cash-generating unit, Infinitysub asset management business cash-generating unit, ESR Australia asset management business cash-generating unit and SIP asset management business.

Notes to the Consolidated Financial Statements

31 December 2019

20. GOODWILL (continued)

Impairment testing of goodwill (continued)

Redwood asset management business cash-generating unit

The recoverable amount of the Redwood assets management business cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 16.3%. The growth rate used to extrapolate the cash flow of the Redwood asset management beyond the five-year period is 3%. This growth rate is based on the average growth rate of the management fee in which the business operates. Senior management believes that this growth rate is justified. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

Infinitysub asset management business cash-generating unit

The recoverable amount of Infinitysub asset management business cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 10%. The growth rate used to extrapolate the cash flow of the Infinitysub business cash-generating unit beyond the five-year period is 2.5%. This growth rate is based on the average growth rate of the management fee in which the business operates. Senior management believes that this growth rate is justified. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

ESR Australia asset management business cash-generating unit

The recoverable amount of ESR Australia asset management business cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 10.0%. The growth rate used to extrapolate the cash flow of the ESR Australia asset management business cash-generating unit beyond the five-year period is 2.5%. This growth rate is based on the average growth rate of the management fee in which the business operates. Senior management believes that this growth rate is justified. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

SIP asset management business cash-generating unit

The recoverable amount of SIP asset management business cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 10%. The growth rate used to extrapolate the cash flow of the SIP business cash-generating unit beyond the five-year period is 2%. This growth rate is based on the average growth rate of the management fee in which the business operates. Senior management believes that this growth rate is justified. These calculations use pre-tax cash flow projections based on financial budgets approved by management.

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31 December 2019

20. GOODWILL (continued)

Impairment testing of goodwill (continued)

With regard to the assessment of the values in use of the cash-generating units, management believes that no reasonable possible change in any of the above key assumptions would cause the carrying values including goodwill, of the cash-generating units to materially exceed the recoverable amounts.

The carrying amounts of goodwill allocated to each cash-generating units of business are as follows:

Asset management business	As at 31 December 2019 USD'000	As at 31 December 2018 USD'000
Redwood	210,480	210,480
CIP	N/A	40,532
VITM	N/A	18,618
Infinitysub	34,370	15,752
ESR Australia	81,823	N/A
SIP	13,570	N/A
Total	340,243	285,382

Assumptions were used in the value in use calculation of the Group's cash-generating unit for 31 December 2019 and 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Budgeted gross fee income — The basis used to determine the value assigned to the budgeted gross fee income is the average fee income achieved in the year immediately before the budget year, increased for expected market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

Notes to the Consolidated Financial Statements

31 December 2019

21. OTHER INTANGIBLE ASSETS

	Software USD'000	Management contracts USD'000	Trust management rights with indefinite useful life USD'000 (note (i))	Customer contracts USD'000	Others USD'000	Total USD'000
31 December 2019						
Cost at 1 January 2019, net of accumulated amortisation	847	16,731	58,769	3,146	–	79,493
Additions	235	–	–	–	683	918
Acquisition of subsidiaries (note 34)	–	4,039	15,364	–	–	19,403
Amortisation provided during the year	(423)	(4,790)	–	(1,654)	–	(6,867)
Exchange realignment	(5)	(94)	172	(59)	(3)	11
At 31 December 2019	654	15,886	74,305	1,433	680	92,958
At 31 December 2019:						
Cost	1,507	32,720	74,305	4,028	680	113,240
Accumulated amortisation	(853)	(16,834)	–	(2,595)	–	(20,282)
Net carrying amount	654	15,886	74,305	1,433	680	92,958

	Software USD'000	Management contracts USD'000	Trust management rights with indefinite useful life USD'000 (notes (ii),(iii))	Customer contracts USD'000	Total USD'000
31 December 2018					
At 31 December 2018:					
Cost	791	28,681	26,725	–	56,197
Accumulated amortisation	(163)	(7,853)	–	–	(8,016)
Net carrying amount	628	20,828	26,725	–	48,181
Cost at 1 January 2018, net of accumulated amortisation	628	20,828	26,725	–	48,181
Additions	499	–	–	–	499
Acquisition of subsidiaries	–	–	31,670	6,075	37,745
Disposal	–	–	–	(2,047)	(2,047)
Amortisation provided during the year	(266)	(4,097)	–	(726)	(5,089)
Exchange realignment	(14)	–	374	(156)	204
At 31 December 2018	847	16,731	58,769	3,146	79,493
At 31 December 2018 and at 1 January 2019:					
Cost	1,261	28,681	58,769	4,028	92,739
Accumulated amortisation	(414)	(11,950)	–	(882)	(13,246)
Net carrying amount	847	16,731	58,769	3,146	79,493

Notes to the Consolidated Financial Statements

31 December 2019

21. OTHER INTANGIBLE ASSETS (continued)

Notes:

(i) In June 2019, the Group has acquired SIP, an asset management company providing trust management services in Singapore. The trust management services are expected to continuously contribute to the net cash inflow of the Group.

Impairment testing of other intangible assets — trust management rights

The Group's trust management rights have indefinite useful lives and are allocated to the Group's SIP asset management business, which is treated as a cash-generating unit for impairment testing. Further details of the impairment test of SIP asset management business cash-generating unit are given in note 20.

(ii) In January 2017, the Group has acquired Infinitysub Pte. Ltd. ("Infinitysub"), an asset management company providing trust management and property management service in Singapore. The trust management is expected to continuously contribute to the net cash inflow of the Group.

Impairment testing of other intangible assets — trust management rights

The Group's trust management rights have indefinite useful lives and are allocated to the Group's Infinitysub asset management business, which is treated as a cash-generating unit for impairment testing. Further details of the impairment test of Infinitysub asset management business cash-generating unit are given in note 20.

(iii) In October 2018, the Group has acquired Viva Industrial Trust Management Pte. Ltd. ("VITM"), an asset management company providing trust management services in Singapore. The trust management services are expected to continuously contribute to the net cash inflow of the Group.

Impairment testing of other intangible assets – trust management rights

The Group's trust management rights have indefinite useful lives and are allocated to the Group's VITM asset management business, which is treated as a cash-generating unit for impairment testing. Further details of the impairment test of VITM asset management business cash-generating unit are given in note 20.

22. OTHER NON-CURRENT ASSETS

	As at 31 December 2019 USD'000	As at 31 December 2018 USD'000
Prepayments for acquiring land use rights	23,233	23,883
Rental income receivables	3,402	5,376
Due from other related parties	3,555	1,975
Rental deposits	1,631	1,468
Investment in Compulsorily Convertible Debenture (note(i))	6,036	–
Others	1,954	1,659
	39,811	34,361

Note:

(i) The Group subscribed to the Compulsorily Convertible Debentures ("CCD") issued by the Group's joint ventures. The CCD shall be fully convertible into equity shares at or any time before completion of 19 years and 364 days from the allotment date of the CCD. The conversion ratio of the CCD into equity shares would be 1:1 (i.e. one equity shares for each CCD allotted). The fair value measurement for the CCD has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used (see note 47).

The balances due from other related parties are non-trade in nature and non-interest-bearing.

As at 31 December 2019 and 2018, other non-current assets of the Group were considered to be of low credit risk and thus the Group has assessed that the ECL for deposits was immaterial under the 12-month expected credit loss method.

Notes to the Consolidated Financial Statements

31 December 2019

23. TRADE RECEIVABLES

	As at 31 December 2019 USD'000	As at 31 December 2018 USD'000
Rental income receivables	4,303	4,889
Management fees due from the joint ventures of the Group	12,338	16,058
Management fees due from funds managed by the Group	65,686	34,309
Management fees due from minority shareholders of subsidiaries	383	–
Construction income receivables	5,837	7,481
Solar energy income receivables	350	320
	88,897	63,057

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables related to various diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at 31 December 2019 and 2018, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December 2019 USD'000	As at 31 December 2018 USD'000
Within 90 days	81,069	36,292
91 to 180 days	4,324	23,015
Over 180 days	3,504	3,750
Total	88,897	63,057

The Group has applied the simplified approach to providing impairment for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The ECLs below also incorporate forward-looking information. The impairment as of 31 December 2019 and 2018 is determined as follows:

	31 December 2019 Current USD'000	31 December 2018 Current USD'000
Expected credit loss rate	$<0.001\%$	$<0.001\%$
Gross carrying amount (USD'000)	88,897	63,057
Impairment (USD'000)	–	–

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24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December 2019 USD'000	As at 31 December 2018 USD'000
Deposits for acquisition	11,678	19,917
Due from related parties	22,827	15,911
Receivable from funds	20,162	99,212
Prepayments on behalf of funds	2,733	46,938
Prepayments to suppliers	8,809	4,355
Dividend receivable	3,292	4,362
Contract assets	4,185	5,048
Deductible value added tax	28,819	4,849
Insurance compensation receivable	–	8,617
Other investment at fair value	1,494	–
Receivable from disposal of an investment property	13,438	–
Other receivable	11,585	15,464
	129,022	224,673

The amounts due from related parties are unsecured, interest-free and payable on demand.

The financial assets included in the above balances related to receivables for which there was no recent history of default.

As at 31 December 2019 and 2018, other receivables of the Group were considered to be of low credit risk and thus the Group has assessed that the ECL for other receivables was immaterial under the 12-month expected credit loss method.

Notes to the Consolidated Financial Statements

31 December 2019

25. CASH AND BANK BALANCES

	As at 31 December 2019 USD'000	As at 31 December 2018 USD'000
Cash and bank balances	816,487	502,056
Non-pledged fixed time deposits with maturity period over three months	881	15,318
Restricted bank balances	21,038	19,294
Pledged bank deposits (note 26)	45,800	44,711
	884,206	581,379

The Renminbi ("RMB") is not freely convertible into other currencies, however, under The PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

As at 31 December 2019, the fixed deposit of USD881,000 (2018: USD15,318,000) had a maturity period of over 180 days. The balance was principal-protected and carried the rate of return of 1.56% (2018: ranging from 2.00% to 3.70%) per annum.

All pledged bank deposits at 31 December 2019 was denominated in RMB (2018: RMB). Pledged bank deposits earn interest at interest rates stipulated by the respective financial institutions. The pledged bank deposits represent the amounts pledged to secure bank and other borrowings granted to the Group (note 26).

As at 31 December 2019 and 2018, cash and bank balances and deposits of the Group and the Company were considered to be of low credit risk and thus the Group has assessed that the ECL for cash and bank balances was immaterial under the 12-month expected credit loss method.

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31 December 2019

26. BANK AND OTHER BORROWINGS

Group

	31 December 2019			31 December 2018		
	Effective interest rate (%)	Maturity	USD'000	Effective interest rate (%)	Maturity	USD'000
Current						
Bank loans — secured	0.20-5.88	2020	37,631	0.60-6.88	2019	138,953
Bank loans — unsecured	3.60	2020	148,998			–
Other borrowings — secured			–	7.60	2019	297,241
Other borrowings — unsecured	12.00	2020	45,580			–
			232,209			436,194
Non-current						
Bank loans — secured	0.20-6.77	2021-2036	1,538,128	0.60-6.88	2020-2035	1,005,259
Bank loans — unsecured	4.80	2022	99,053			–
Other borrowings — secured	9.00	2023	18,548	6.00	2020-2023	19,020
Other borrowings — unsecured	10.00	2024	5,607			–
Bonds — unsecured	6.75-7.875	2022	677,372			–
			2,338,708			1,024,279
			2,570,917			1,460,473

Debt maturity profile of bank and other borrowings:

	As at 31 December 2019 USD'000	As at 31 December 2018 USD'000
Bank loans repayable		
Within one year	186,629	138,953
In the second year	691,754	99,735
In the third to fifth year, inclusive	796,396	703,580
Beyond five years	149,031	201,944
	1,823,810	1,144,212
Bonds and other borrowings repayable		
Within one year	45,580	297,241
In the second year	–	–
In the third to fifth year, inclusive	701,527	18,902
Beyond five years	–	118
	747,107	316,261
	2,570,917	1,460,473

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26. BANK AND OTHER BORROWINGS (continued)

Company

	31 December 2019			31 December 2018		
	Effective interest rate (%)	Maturity	USD'000	Effective interest rate (%)	Maturity	USD'000
Current						
Bank loans — secured	2.70	2020	1,000	4.10	2019	42,450
Bank loans — unsecured	3.60	2020	148,998			–
Other borrowings — secured			–	7.60	2019	297,241
			149,998			339,691
Non-current						
Bank loans — secured	2.70	2022	41,450			–
Bank loans — unsecured	4.80	2022	99,053			–
Bonds — unsecured	6.75-7.875	2022	677,372			–
			817,875			–
			967,873			339,691

Debt maturity profile of bank and other borrowings:

	As at 31 December 2019 USD'000	As at 31 December 2018 USD'000
Bank loans repayable		
Within one year	149,998	42,450
In the second year	1,000	–
In the third to fifth year, inclusive	139,503	–
Beyond five years	–	–
	290,501	42,450
Bonds and other borrowings repayable		
Within one year	–	297,241
In the second year	–	–
In the third to fifth year, inclusive	677,372	–
Beyond five years	–	–
	677,372	297,241
	967,873	339,691

Notes:

(a) As at 31 December 2019, certain of the Group's completed investment properties and investment properties under construction in total fair value of USD1,899,602,000 (2018: USD1,591,741,000) (note 19(c)), property, plant and equipment with a carry amount of USD26,546,000 (2018: USD16,512,000) (note 13), pledged bank deposits with an amount of USD45,800,000 (2018: USD44,711,000)(note 25), listed equity interests at market value with a fair value of USD205,505,000 (2018: USD122,176,000)(note 18), and equity interests in the Company and certain subsidiaries were pledged to secure bank and other borrowings granted to the Group.

(b) In February 2019, the Group issued SGD350,000,000 fixed rate notes of bearing interest at 6.75% per annum which will be due in February 2022. In April 2019, the Group issued USD425,000,000 fixed rate notes of bearing interest at 7.875% per annum which will be due April 2022 under the Group's USD2.0 billion Multicurrency Debt Issuance Programme.

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27. LEASE LIABILITIES

	31 December 2019			31 December 2018		
	Effective interest rate(%)	Maturity	USD'000	Effective interest rate(%)	Maturity	USD'000
Current lease liabilities	1-16	2020	5,670	1-13.25	2019	3,374
Non-current lease liabilities	1-16	2021-2055	17,486	1-13.25	2020-2038	6,311
			23,156			9,685

28. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at 31 December 2019 USD'000	As at 31 December 2018 USD'000
Trade payables	12,837	5,207
Payables for purchase of property, plant and equipment and investment properties	70,729	15,833
Rental income received in advance	4,234	1,222
Accruals	44,299	37,168
Interest payable	29,297	7,817
Staff payroll and welfare payables	20,904	15,375
Other tax payable	5,145	3,044
Due to related parties	467	2,633
Due to non-controlling shareholders of subsidiaries	5,774	–
Payable to a fund	491	16,789
Others	17,232	6,655
	211,409	111,743

An aging analysis of the trade payables as at 31 December 2019 and 2018, based on the invoice date, is as follows:

	As at 31 December 2019 USD'000	As at 31 December 2018 USD'000
Within 30 days	1,319	4,283
30 to 60 days	8,174	881
Over 60 days	3,344	43
Total	12,837	5,207

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

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29. DEFERRED TAX

The movements in deferred tax assets during the years ended 31 December 2019 and 2018 are as follows:

	Losses available for offsetting against future taxable profits	Employee benefit payable	Accrued expenses	Others	Total
			2019		
	USD'000	USD'000	USD'000	USD'000	USD'000
At 1 January 2019	12,012	–	691	856	13,559
Acquisition of subsidiaries (note 34)	4,731	31	56	38	4,856
Deferred tax credited/(charged) to the profit or loss during the year	5,412	855	(282)	525	6,510
Disposal of subsidiaries (note 36)	(1,010)	–	–	(136)	(1,146)
Exchange realignment	(1,723)	1,071	362	65	(225)
Deferred tax assets at 31 December 2019	19,422	1,957	827	1,348	23,554
			2018		
At 1 January 2018	7,279	788	1,414	872	10,353
Deferred tax credited/(charged) to the profit or loss during the year	4,226	(778)	(677)	29	2,800
Acquisition of subsidiaries	1,037	–	–	–	1,037
Exchange realignment	(530)	(10)	(46)	(45)	(631)
Deferred tax assets at 31 December 2018	12,012	–	691	856	13,559

29. DEFERRED TAX (continued)

The movements in deferred tax liabilities during the years ended 31 December 2019 and 2018 are as follows:

	2019					
	Fair value adjustments of investment properties USD'000	Gain on fair value change of financial assets at fair value through profit or loss USD'000	Fair value adjustments arising from acquisition of subsidiaries USD'000	Unbilled revenue USD'000	Others USD'000	Total USD'000
At 1 January 2019	164,768	5,590	20,821	770	–	191,949
Deferred tax charged/(credited) to the profit or loss during the year	44,476	2,310	(1,229)	572	1,412	47,541
Acquisition of subsidiaries (note 34)	–	–	2,619	–	–	2,619
Disposal of subsidiaries (note 36)	(28,085)	–	–	(430)	–	(28,515)
Reclassification to liabilities held for sale	(286)	–	–	–	–	(286)
Exchange realignment	(2,520)	147	18	158	175	(2,022)
Deferred tax liabilities at 31 December 2019	178,353	8,047	22,229	1,070	1,587	211,286

	2018				
	Fair value adjustments of investment properties USD'000	Gain on fair value change of financial assets at fair value through profit or loss USD'000	Fair value adjustments arising from acquisition of subsidiaries USD'000	Unbilled revenue USD'000	Total USD'000
At 1 January 2018	123,231	5,654	8,455	1,107	138,447
Deferred tax charged/(credited) to the profit or loss during the year	49,530	227	(2,827)	(292)	46,638
Acquisition of subsidiaries	–	–	15,734	–	15,734
Exchange realignment	(7,993)	(291)	(541)	(45)	(8,870)
Deferred tax liabilities at 31 December 2018	164,768	5,590	20,821	770	191,949

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31 December 2019

29. DEFERRED TAX (continued)

In accordance with PRC laws and regulations, tax losses could be carried forward for five years to offset against future taxable profits. Deferred tax assets relating to unutilised tax losses are recognised to the extent that it is probable that sufficient taxable profit will be available to allow such deferred tax assets to be utilised.

The Group had unused tax losses available for offsetting against future profits in respect of certain subsidiaries of USD20,971,000 as at 31 December 2019 (2018: USD13,626,000), and the deferred tax assets have not been recognised.

No deferred tax assets have been recognised in respect of these losses due to the unpredictability of future available taxable profit of the subsidiaries to offset against the unused tax losses. The available period of the unused tax losses will expire in one to five years for offsetting against future taxable profits.

Pursuant to PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in PRC. The requirement becomes effective on 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between PRC and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by its subsidiaries, joint ventures and associates established in PRC in respect of earnings generated from 1 January 2008.

At 31 December 2019, no deferred tax (2018: nil) has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in PRC and Group's investment in joint ventures. In the opinion of the directors, it is not probable that these subsidiaries and investments in joint ventures will distribute such earnings in the foreseeable future.

The aggregate amounts of temporary differences associated with investments in subsidiaries in PRC for which deferred tax liabilities have not been recognised totaled approximately USD11,758,000 at 31 December 2019 (2018: USD3,766,000).

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30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

The Group had non-cash additions to right-of-use assets and lease liabilities of USD5,305,000 and USD5,185,000 (2018: USD3,559,000 and USD3,440,000).

(b) Changes in liabilities arising from financing activities

	Bank and other loans USD'000	Liability component of the redeemable convertible preference shares USD'000	Interest payable USD'000	Other payable – due to related parties USD'000	Lease liabilities USD'000
At 1 January 2019	1,460,473	296,778	7,817	2,633	9,685
Changes from financing cash flows	862,662	(267,010)	(122,887)	(2,166)	(6,478)
Changes in investing cash flows — additions to investment properties	–	–	(3,761)	–	–
Reclassification to liabilities held for sale	(14,672)	–	–	–	–
Foreign exchange movements	(3,472)	–	–	–	(389)
Interest expense	–	37,865	144,367	-	1,897
Capitalised interest expense	–	–	3,761	–	–
Conversion of redeemable convertible preference shares	–	(67,633)	–	–	–
Addition	–	–	–	–	5,541
Acquisition of subsidiaries	350,241	–	–	–	12,900
Disposal of subsidiaries	(84,315)	–	–	–	–
At 31 December 2019	2,570,917	–	29,297	467	23,156
At 1 January 2018	833,435	264,199	3,624	731	7,959
Changes from financing cash flows	389,312	(13,031)	(54,615)	1,197	(3,616)
Changes in investing cash flows — additions to investment properties	–	–	(2,430)	–	–
Foreign exchange movements	(23,118)	–	(83)	705	(198)
Interest expense	–	45,610	58,891	–	428
Capitalised interest expense	–	–	2,430	–	
Addition	–	–	–	–	3,559
Acquisition of subsidiaries	260,844	–	–	–	1,553
At 31 December 2018	1,460,473	296,778	7,817	2,633	9,685

Notes to the Consolidated Financial Statements

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31. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

The redeemable convertible preference shares have a par value of USD0.001 per share, and carried a coupon rate of 4.5% per annum. The holders are entitled to convert the redeemable convertible preference shares into the Company's ordinary shares based on conversion ratio of 1:1 under certain circumstances.

In September 2019, the Company redeemed 112,865,513 redeemable convertible preference shares and issued 32,714,642 ordinary shares upon conversion of redeemable convertible preference shares.

In November 2019, the Company redeemed 73,607,943 redeemable convertible preference shares and issued 16,357,320 ordinary shares upon conversion of redeemable convertible preference shares.

The preference shares have been split into the liability and equity components as follows:

	Liabilities component USD'000	Equity component USD'000	Total USD'000
At 1 January 2018	264,199	37,132	301,331
Interest accretion of the liability component	45,610	–	45,610
Interest paid	(13,031)	–	(13,031)
At 31 December 2018 and 1 January 2019	296,778	37,132	333,910
Conversion of redeemable convertible preference shares	(67,633)	(7,914)	(75,547)
Redemption of redeemable convertible preference shares	(228,000)	(29,218)	(257,218)
Interest accretion of the liability component	37,865	–	37,865
Interest paid	(39,010)	–	(39,010)
At 31 December 2019	–	–	–

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32. DISPOSAL GROUP HELD FOR SALE

In October 2019, the Group, through its wholly-owned subsidiary Redwood Phoenix China Investment Fund Pte. Ltd. ("RPCIF"), entered into a sale and purchase agreement to divest 65% equity interest in Mingyue Logistics Pte. Ltd. ("Mingyue Logistics") and its subsidiary Guangzhou Mingyue Warehousing Co., Ltd. ("Guangzhou Mingyue"). The divestment is expected to be completed within the next financial year. Accordingly, all the assets and liabilities held by Mingyue Logistics and Guangzhou Mingyue were reclassified as disposal group held for sale as at 31 December 2019.

Details of assets and liabilities classified as held for sale as at 31 December 2019 are as follows:

	Notes	As at 31 December 2019 USD'000
Assets		
Property, plant and equipment		2
Investment properties	19	83,519
Prepayments, other receivables and other assets		215
Cash and cash equivalents		10,195
Assets classified as held for sale		93,931
Liabilities		
Bank and other borrowings	26	14,672
Trade payables, accruals and other payables		6,184
Income tax payable		115
Deferred tax liabilities		286
Liabilities directly associated with the assets classified as held for sale		21,257
Net assets directly associated with the disposal group		72,674

Profit for the year from the disposal group was USD3,035,000.

As at 31 December 2019, the bank and other borrowings of USD14,672,000 bears fixed interest rate of 5.225% per annum with maturity in year 2022. The loan will become payable within one year after the completion of divestment. The investment property with a fair value of USD83,519,000 was pledged to secure bank and other borrowings granted to Guangzhou Mingyue.

The fair value of the investment properties under the disposal group held for sale as at 31 December 2019 was measured based on the agreed transaction price (Level 2).

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32. DISPOSAL GROUP HELD FOR SALE (continued)

Lease receivables under non-cancellable operating leases generated from completed investment properties under the disposal group held for sale are as follows:

	As at 31 December 2019 USD'000
Within one year	5,800
After one year but within two years	5,974
After two years but within three years	6,153
After three years but within four years	6,338
After four years but within five years	6,041
	30,306

33. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	As at 31 December 2019 USD'000	As at 31 December 2018 USD'000
Percentage of equity interests held by non-controlling interests at the reporting date:		
Preference shares issued by subsidiaries:		
Redwood Fujiidera Investor Ltd.[i]	86%	86%
Redwood Asian Investments 2 Ltd.[ii]	86%	86%
Equity interest held by non-controlling interests:		
Mingyue Logistics Pte. Ltd.[iii]	35%	35%
Higashi[iv]	30%	30%
Shanghai Yurun[v]	26%	N/A

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33. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

	As at 31 December 2019 USD'000	As at 31 December 2018 USD'000
Profit/(loss) for the year allocated to non-controlling interests:		
Preference shares issued by subsidiaries:		
Redwood Fujiidera Investor Ltd.[i]	24	2,966
Redwood Asian Investments 2 Ltd.[ii]	1,124	(1,209)
	1,148	1,757
Equity interests held by non-controlling interests:		
Mingyue Logistics Pte. Ltd.[iii]	2,286	2,095
Higashi[iv]	9,958	1,776
Shanghai Yurun[v]	13,266	–
	25,510	3,871
	26,658	5,628
Accumulated balances of non-controlling interests at the reporting date:		
Preference shares issued by subsidiaries:		
Redwood Fujiidera Investor Ltd.[i]	875	58,979
Redwood Asian Investments 2 Ltd.[ii]	27,629	45,114
	28,504	104,093
Equity interests held by non-controlling interests:		
Mingyue Logistics Pte. Ltd.[iii]	24,740	27,464
Higashi[iv]	65,204	55,066
Shanghai Yurun[v]	52,533	–
	142,477	82,530
	170,981	186,623

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33. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Redwood Fujiidera Investor Ltd.[i] USD'000	Redwood Asian Investments 2 Ltd.[ii] USD'000	Mingyue Logistics Pte. Ltd.[iii] USD'000	Higashi[iv] USD'000	Shanghai Yurun[v] USD'000
2019					
Revenue	–	–	5,466	15,543	–
Total expense	(39)	(252)	(2,074)	(6,107)	(81)
Profit for the year	28	1,311	5,491	33,059	51,053
Total comprehensive income for the year	28	1,311	5,491	33,059	51,053
Current assets	69,137	22,827	94,361	26,323	16,937
Non-current assets	118	34,218	305	422,734	94,371
Current liabilities	45	206	23,166	12,406	33,933
Non-current liabilities	–	2,560	5,450	219,757	21,566
Net cash flow from/(used in) operating activities	(576,025)	(653,984)	6,794,969	10,811,644	(150)
Net cash flow from/(used in) investing activities	69,679,586	22,748,964	(203,210)	(1,030,303)	(39,445)
Net cash flow from/(used in) financing activities	(68,188,615)	(22,045,808)	(2,884,705)	(8,561,069)	60,210
Net increase in cash and cash equivalents	914,946	49,172	3,707,054	1,220,272	20,615

	Redwood Fujiidera Investor Ltd. USD'000	Redwood Asian Investments 2 Ltd. USD'000	Mingyue Logistics Pte. Ltd. USD'000	Higashi USD'000
2018				
Revenue	–	–	5,726	15,092
Total expense	(10)	(300)	(2,164)	(6,033)
Profit/(loss) for the year	2,143	(1,411)	4,817	38,325
Total comprehensive income/(loss) for the year	2,143	(1,411)	2,722	38,265
Current assets	68,070	1,159	7,027	954
Non-current assets	–	54,865	82,298	113,812
Current liabilities	579	858	6,286	94,320
Non-current liabilities	–	2,533	19,826	–
Net cash flow from/(used in) operating activities	(36)	(77,322)	3,858,895	12,342,638
Net cash flow used in investing activities	–	(3,869,296)	(819,510)	(608,144)
Net cash flow from/(used in) financing activities	–	3,908,380	(348,051)	(6,980,640)
Net increase/(decrease) in cash and cash equivalents	(36)	(38,238)	2,691,334	4,753,854

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33. SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

Notes:

(i) Pursuant to the subscription agreement dated 18 December 2014 entered into by certain subsidiaries of the Company, including Redwood Asian Investment 1 Ltd. ("RAIL 1"), Redwood Fujiidera Investor Ltd., ESR Singapore (the "Manager") and a third party Financial Investor C, ("Subscription Agreement"), RAIL 1 and Financial Investor C have agreed to provide funding to Redwood Fujiidera Investor Ltd. for the purpose of subscribing to interest in Redwood Fujiidera Pte. Ltd.

Prior to 23 September 2016, according to Articles of Association, there is an obligation to Redwood Fujiidera Investor Ltd. to pay distributions to the preference share shareholders should distribution proceeds be received from Redwood Fujiidera Pte. Ltd. On 23 September 2016, Redwood Fujiidera Investor Ltd. made amendments to the Articles of Association and deleted the above obligation. The preference shares meet the definition of equity afterwards. The carrying amount of the preference shares are transferred into non-controlling interests from financial liabilities.

At 31 December 2019, Financial Investor C was a holder of 4,243,902,381 (2018: 4,243,902,381) preference shares issued by Redwood Fujiidera Investor Ltd., a Cayman Island incorporated subsidiary. Financial Investor C is entitled to participate pari passu with ordinary shareholders in dividends as well as distribution upon return of capital on winding up. The dividend distribution is at the discretion of Redwood Fujiidera Investor Ltd. based on the terms of preference shares.

(ii) Pursuant to the subscription agreement dated 5 March 2015 entered into by RAIL, Financial Investor C, Redwood Asian Investments 2 Ltd. and ESR Singapore Pte. Ltd.(the "Manager") ("Subscription Agreement"), RAIL and Financial Investor C have agreed to provide funding to Redwood Asian Investments 2 Ltd. for the purpose of, indirectly through Redwood Nanko Pte. Ltd. and its subsidiaries, subscribing interest in RW Nankonaka TMK.

At 31 December 2019, Financial Investor C was a holder of 3,454,285,715 (2018: 3,454,285,715) Preference A Shares issued by Redwood Asian Investments 2 Ltd., a Cayman Island incorporated subsidiary, respectively. Financial Investor C is entitled to participate pari passu with ordinary shareholders in dividends as well as distribution upon return of capital on winding up. The dividend distribution is at the discretion of Redwood Asian Investments 2 Ltd. based on the terms of preference shares.

(iii) Pursuant to the sales and purchase agreement dated 30 June 2017 entered into with RAIL and Phoenix Global Real Estate Secondaries 2009 LP ("PGRE"), Redwood Phoenix China Investment Fund Pte Ltd became a 100% wholly owned subsidiary of RAIL and RAIL indirectly held 65% of Mingyue Logistic Pte. Ltd. which held 100% of Guangzhou Mingyue Warehousing Co., Ltd. The purchase consideration amounted to USD23,436,000.

(iv) Pursuant to the sales and purchase agreement dated 28 June 2018 entered into with Redwood Investor (Higashi) Ltd. ("RW Investor Higashi"), a wholly owned subsidiary of the Group, and Fupeng Investment Management Limited, RW Investor Higashi acquired 35% shares of RW Higashi Pte. Ltd. ("Higashi Pte"). After the acquisition, RW Investor Higashi owned 70% shares of Higashi Pte, which became a subsidiary of the Group.

(v) On 6 June 2019, Shanghai Dongjin Shiye Co., Ltd, a wholly-owned subsidiary of the Group, entered into sale and purchase agreement for sale of 26% of shares of Shanghai Yurun Meat Food Co., Ltd ("Shanghai Yurun") to Jiaxing Yishang Equity Investment Partnership LLP (the "Jiaxing Fund").

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34. BUSINESS COMBINATION

(a) On 20 March 2019, the Group has, through its wholly-owned subsidiary ESR Real Estate (Australia) Pty Ltd., completed the acquisition of an additional 80.1% interest in Propertylink (Holdings) Limited Group (the "PLG Group"). The Group previously held 19.9% interest in PLG Group and accounted as financial assets at fair value through other comprehensive income. Upon acquisition of the additional 80.1% interest, PLG Group became a subsidiary of the Group. The acquisition of PLG Group was identified as a business combination by the management. PLG is a fully operational company as at the acquisition date and its principal activity is management services in Australia.

The fair values of the identifiable assets and liabilities of PLG Group as at the date of acquisition were as follows:

	Note	Fair value recognised on acquisition date USD'000
Property, plant and equipment		212
Right-of-use assets		2,095
Other intangible assets		4,039
Investment properties		608,680
Investments in joint ventures		72,262
Deferred tax assets		4,852
Financial assets at fair value through other comprehensive income		95,822
Prepayments, other receivables and other assets		8,127
Cash and bank balances		4,012
Trade payables, accruals and other payables		(6,237)
Bank and other borrowings		(325,368)
Lease liabilities		(12,615)
Total identifiable net assets at fair value		455,881
Goodwill on acquisition	20	41,291
		497,172
Satisfied by:		
Cash		398,285
Financial asset at fair value through other comprehensive income		98,887
		497,172

None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	USD'000
Cash consideration	(398,285)
Cash and bank balances acquired	4,012
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(394,273)

Since the acquisition, PLG Group contributed USD41,276,000 to the Group's revenue and USD16,328,000 profit to the consolidated profit for the period ended 31 December 2019.

Had the combination taken place at the beginning of the period, the revenue from continuing operations of the Group and the profit of the Group for the year would have been USD371,708,000 and USD281,804,000, respectively.

Notes to the Consolidated Financial Statements

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34. BUSINESS COMBINATION (continued)

(b) On 28 June 2019, the Group has, through its wholly-owned subsidiary Infinitysub Pte. Ltd., completed the acquisition of additional 51% interest in SIP Group. The Group previously held effective interest of 42.8% in SIP Group through a subsidiary and accounted as investment in associates (note 16). Upon acquisition of the additional 51% interest, SIP Group became a subsidiary of the Group. The acquisition of SIP Group was identified as a business combination by the management. SIP Group is a fully operational company as at the acquisition date and its principal activity is management services in Singapore.

The fair values of the identifiable assets and liabilities of SIP Group as at the date of acquisition were as follows:

	Note	Fair value recognised on acquisition date USD'000
Property, plant and equipment		14
Right-of-use assets		284
Other intangible assets		15,364
Financial assets at fair value through other comprehensive income		13,861
Other non-current assets		54
Deferred tax assets		4
Prepayments, other receivables and other assets		1,089
Cash and bank balances		3,517
Deferred tax liabilities		(2,619)
Trade payables, accruals and other payables		(11,345)
Lease liabilities		(285)
Total identifiable net assets at fair value		19,938
Non-controlling interests		(798)
Goodwill on acquisition	20	13,570
		32,710
Satisfied by:		
Cash		18,253
Investment in associate remeasured at fair value at acquisition date		14,457
		32,710

None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	USD'000
Cash consideration	(18,253)
Cash and bank balances acquired	3,517
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(14,736)

Since the acquisition, SIP contributed USD2,490,000 to the Group's revenue and USD892,000 profit to the consolidated profit for the year.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been USD360,679,000 and USD279,080,000, respectively.

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34. BUSINESS COMBINATION (continued)

(c) Acquisition of subsidiaries that are not business

Lekun Warehousing (Wuxi) Co., Ltd. ("Wuxi Lekun")

The Group, through its wholly-owned subsidiary, Zeta Offshore Holdings (BVI) Limited, entered into share purchase agreement with independent third-parties Barn Holding Pte. Limited and TCL Electronics Holdings Limited, to acquire 100% equity interests in Lekun Warehousing (Wuxi) Co., Ltd. ("Wuxi Lekun") for an aggregate purchase price of USD38,591,000 in cash. The acquisition of Wuxi Lekun was completed on 14 March 2019.

On the acquisition date, there were no other material assets and liabilities carried by Wuxi Lekun other than cash and bank balances, bank and other borrowings and investment properties. The transaction was accounted for as an asset acquisition.

Kawajima Distribution Centre ("Kawajima")

The Group entered into share purchase agreement with one of development funds, RW Kawajima TMK, to acquire 100% equity interests in Kawajima at an aggregate purchase price of USD82,673,000 in cash. The acquisition of Kawajima was completed on 20 August 2019.

On the acquisition date, there were no other material assets and liabilities carried by Kawajima other than cash and bank balances, trade payables, accruals and other payables, and investment properties. The transaction was accounted for as an asset acquisition.

Shanghai Yibian Logistic Technology Co., Ltd. ("Shanghai Yibian")

The Group entered into share purchase agreement with an independent third-party, Kerry Logistics (China) Limited, to acquire 100% equity interests in Shanghai Yibian (formerly known as Kerry Logistics (Waigaoqiao) Limited) at an aggregate purchase price of USD13,965,000 in cash. The acquisition of Shanghai Yibian was completed on 20 August 2019.

On the acquisition date, there were no other material assets and liabilities carried by Shanghai Yibian other than cash and bank balances and investment properties. The transaction was accounted for as an asset acquisition.

Langfang Hongke Real Estate Development Co., Ltd. ("Langfang Hongke")

The Company, through its wholly owned subsidiary, Crystal Offshore Holdings (BVI) Limited, entered into share purchase agreement with an independent third-party Chief Victory Global Limited, to acquire 100% equity interests in Langfang Hongke Real Estate Development Co., Ltd. ("Langfang Hongke") at an aggregate purchase price of USD7,273,000 in cash. The acquisition of Langfang Hongke was completed on 23 September 2019.

34. BUSINESS COMBINATION (continued)

(c) Acquisition of subsidiaries that are not business (continued)

On the acquisition date, there were no other material assets and liabilities carried by Langfang Hongke other than cash and bank balances and investment properties. The transaction was accounted for as an asset acquisition.

	Wuxi Lekun USD'000	Kawajima USD'000	Shanghai Yibian USD'000	Langfang Hongke USD'000
Net assets acquired:				
Cash and bank balances	1,344	1,946	1,279	114
Trade receivables	10	–	4	–
Prepayments, other receivables and other assets	70	–	5	4
Property, plant and equipment	–	–	176	–
Investment properties	63,342	82,673	12,685	7,155
Bank and other borrowings	(24,873)	–	–	–
Trade payables, accruals and other payables	(1,302)	(1,946)	(184)	–
	38,591	82,673	13,965	7,273
Satisfied by:				
Cash	38,591	82,673	13,965	6,477
Consideration payable	–	–	–	796
	38,591	82,673	13,965	7,273

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

	Wuxi Lekun USD'000	Kawajima USD'000	Shanghai Yibian USD'000	Langfang Hongke USD'000
Cash consideration	(38,591)	(82,673)	(13,965)	(6,477)
Cash and bank balances acquired	1,344	1,946	1,279	114
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(37,247)	(80,727)	(12,686)	(6,363)

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35. INTERESTS IN THE UNCONSOLIDATED STRUCTURED ENTITIES

As at 31 December 2019, the Group considers its equity investments in 31 (2018: 20) investment funds to be interests in unconsolidated structured entities. The investments funds are designed so that the management rights are not the dominant factor in deciding who controls them and are financed through the issue of ownership interest instrument to each investors.

The Group also acts as investment manager for 34 (2018: 24) real estate funds to manage the operations of those assets to earn fee income based on their capital contributed by investors, development costs incurred on real estate projects, or for the acquisition advisory service and brokerage service. The assets have been designed so that voting and similar rights are not the dominant factor in deciding how the investing activities should be conducted and are financed through the issue of ownership interest instrument to investors. The Group did not provide any financial support and has no intention of providing financial or any other support.

The Group earned a total gross fee income of USD73,651,000 (2018: USD44,621,000) from the real estate funds for the year ended 31 December 2019. As at 31 December 2019, the Group's maximum exposure to loss as a result of acting as the investment manager of the real estate funds was equivalent to the carrying amount of fee income receivable from them amounting to USD42,399,000 (2018: USD25,785,000) and the carrying amount of the investments amounting to USD499,146,000 (2018: USD275,160,000).

36. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2019, Action Wealth International Limited, Shanghai Dongjin Shiye Co., Ltd., Jiadong Investment Ltd., Talent HK Offshore Limited, Action Growth International Limited, E-shang Wealth HK Limited and Action Rocks Holding Limited, wholly-owned subsidiaries of the Company, entered into an agreement with Shanghai Yishang Logistics Equity Investment Partnership ("Xinhua Fund") to dispose of the 99.99% interests in seven subsidiaries, which are Hangzhou Mingpu Supply Chain Management Co., Ltd., Shanghai Yita Warehousing Co., Ltd., Xinbin (Shanghai) Qiye Guanli Fuwu Co., Ltd., Shanghai Moya Warehouse Co., Ltd., Tianjin Mingcheng Warehouse Co., Ltd., Shanghai Donghe Warehouse Co., Ltd. and Wuhan Mingju Supply Chain Development Co., Ltd..

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36. DISPOSAL OF SUBSIDIARIES (continued)

	USD'000
Net assets disposed of:	
Cash and bank balances	20,851
Prepayments, trade and other receivables and other assets	58,391
Investment properties	276,711
Property, plant and equipment	2
Deferred tax assets	1,146
Other non-current assets	1,492
Trade payables, accruals, other payables and income tax payable	(48,481)
Deferred tax liabilities	(28,515)
Bank and other borrowings	(84,315)
Other non-current liabilities	(4,481)
	192,801
Exchange fluctuation reserve	4,901
Gain on disposal of subsidiaries	16,495
	214,197
Satisfied by:	
Cash	214,175
Investments in financial assets at fair value through profit or loss*	22
	214,197

* The Group hold 0.01% interest in the disposed subsidiaries after the disposal, which is recognised as a financial asset at fair value through profit or loss.

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	USD'000
Cash consideration	214,175
Cash and bank balances of disposed subsidiaries	(20,851)
Net inflow of cash and cash equivalents included in cash flows used in investing activities	193,324

37. CONTINGENT LIABILITIES

As at the years ended 31 December 2019 and 2018, neither the Group nor the Company had any significant contingent liabilities.

38. PLEDGE OF ASSETS

Details of the Group's interest-bearing bank and other borrowings, which are secured by the assets of the Group, are included in note 26 to the financial statements.

Notes to the Consolidated Financial Statements

31 December 2019

39. COMMITMENTS

(a) Operating lease commitments

As lessor

The Group leases out its completed investment properties under operating lease arrangements on terms ranging from one to ten years and with an option for renewal after the expiry dates, at which time all terms will be renegotiated.

At 31 December 2019 and 2018, the Group had total future minimum lease receivable under non-cancellable operating leases with its tenants falling due as stated in note 19.

(b) Capital commitments

	As at 31 December 2019 USD'000	As at 31 December 2018 USD'000
Contracted, but not provided for investment properties	377,558	306,725
Authorised, but not contracted for investment properties	10,855	–
Undrawn capital calls to real estate investment funds	360,179	50,581
	748,592	357,306

40. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following material transactions with related parties during the years ended 31 December 2019 and 2018:

(a) Transactions with related parties:

	2019 USD'000	2018 USD'000
Associates:		
– Management fee income (note(i))	17,368	2,358
Joint ventures:		
– Management fees income (note(i))	25,291	30,256
– Advances to joint ventures (note(ii))	3,824	3,652
– Repayment to joint ventures (note(ii))	(2,166)	(1,197)
– Construction income	22,243	–

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40. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued):

Notes:

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

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

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

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

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

(ii) Advances to/(repayment from) related parties and (repayment to)/advances from joint ventures are unsecured, interest-free and repayable on demand.

The maximum amounts due from related parties outstanding during the year ended 31 December 2019 is USD13,888,000 (2018: USD13,774,000).

(b) Commitments with related parties

The Group expects total capital commitment to associates and joint ventures to be USD76,220,000 and USD127,393,000, respectively.

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

	2019 USD'000	2018 USD'000
Short term employee benefits	9,197	5,461
Post-employment benefits	30	51
Share based payment	6,006	8,737
Total compensation paid to key management personnel	15,233	14,249

41. SHARE CAPITAL

	As at 31 December 2019	As at 31 December 2018
Authorised number of shares	8,000,000,000	4,400,000,000

	As at 31 December 2019 USD'000	As at 31 December 2018 USD'000
Issued and fully paid	3,037	2,689

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41. SHARE CAPITAL (continued)

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

	Number of shares in issue	Share capital USD'000	Share premium account USD'000	Total USD'000
At 1 January 2018	2,334,820,428	2,335	972,735	975,070
Issuance of new shares (note (i))	266,942,708	267	345,893	346,160
Share options exercised (note (ii))	32,472,131	32	25,066	25,098
Transferred from equity component of warrant instrument	54,684,608	55	26,704	26,759
At 31 December 2018 and 1 January 2019	2,688,919,875	2,689	1,370,398	1,373,087
Share options exercised (note (iii))	18,452,806	19	7,584	7,603
Conversion of redeemable convertible preference shares (note (iv))	49,071,962	49	75,498	75,547
Issue of new shares pursuant to Global Offering (note (v))	280,140,000	280	601,004	601,284
Share issue expenses (note (v))	–	–	(11,958)	(11,958)
At 31 December 2019	3,036,584,643	3,037	2,042,526	2,045,563

Notes:

(i) On 10 May 2018, the Company issued 240,578,861 ordinary shares to a new shareholder for cash considerations of USD306,160,659.

On 13 June 2018, the Company issued 26,363,847 ordinary shares to a new shareholder for cash considerations of USD40,000,000.

(ii) 32,472,131 share options were exercised at the exercise price of USD0.46 per share (note 42), resulting in the issue of 32,472,131 shares for a total cash consideration, before expenses, of USD14,937,000. An amount of USD10,161,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

(iii) 18,452,806 share options were exercised at the exercise price of USD0.46 per share (note 42), resulting in the issue of 18,452,806 shares for a total cash consideration, before expenses, of USD19,000. An amount of USD7,603,000 was transferred from the share option reserve to share capital and share premium upon the exercise of the share options.

(iv) 32,714,642 and 16,357,320 redeemable convertible preference shares were converted to ordinary shares on 18 September 2019 and 1 November 2019 respectively.

(v) On 1 November 2019, the Company issued a total of 280,140,000 ordinary shares of USD0.001 each at HK$16.8 per share by way of Global Offering. The expenses attributable to the issue of shares of approximately USD11,958,000 were recognised in the share premium account of the Company. On the same date, the Company's shares were listed on the Main Board of the Hong Kong Stock Exchange.

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42. SHARE OPTION PLAN

The Company operates share option plans (the "Plans") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Plans include the Company's shareholders, directors, senior management and other eligible participants.

(a) Tier 1 ESOP

Tier 1 ESOP is intended to provide the Company with a flexible means of retaining incentivizing, rewarding, remunerating, compensating and/or providing benefits to selected participants. By aligning the interests of selected participants with those of the shareholders, participants will be encouraged and motivated to continue their efforts towards enhancing the value of the Company. Eligible participants of Tier 1 ESOP include 3 selected participants. No further options will be issued under the Tier 1 ESOP. The exercise price of Tier 1 ESOP is USD0.46 per option. Tier 1 ESOP became effective on 20 April 2017 and will remain in force until 20 January 2021.

(b) KM ESOP

KM ESOP is to incentivise or reward eligible participants for their contribution towards the Company's operation, so as to: (a) motivate and encourage recipients to continue to perform well; (b) to retain the services of recipients whose work is vital to the growth and continued success of the Company; and (c) to link the personal interests of members of the Board and the employees with those of the shareholders. Eligible participants of KM ESOP include any director or employee of the Group, or any director or employee of any company which is under the control the Company. KM ESOP became effective on 24 November 2017 and, unless otherwise canceled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options to be granted under the KM ESOP is 63,558,343.

No further options will be issued under the KM ESOP.

(c) Post-IPO share option scheme

Post-IPO share option scheme is to provide incentives to participants to contribute to the Company and to enable the Company to recruit high caliber employees and attract or retain human resources that are valuable to the Group. Eligible participants of Post-IPO share option scheme include any individual, being and employee, executive director and non-executive director (including independent non-executive director), agent or consultant of the Company or its subsidiary who the Board or its delegate(s) consider, in their sole discretion, to have contributed or will contribute to the Group. Post-IPO Share Option Scheme became effective on 12 October 2019 and, unless otherwise canceled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Post-IPO share option scheme is 303,658,464.

According to Post-IPO Share Option Scheme, the Board may, at its discretion, grant to any eligible participants an option at the exercise price over the whole number of shares it decides. The Board will decide the exercise price which will be stated at the date of grant.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, must first be approved by the independent non-executive directors, excluding any independent non-executive director who is a proposed recipient of the grant of options.

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42. SHARE OPTION PLAN (continued)

(c) Post-IPO share option scheme (continued)

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under Post-IPO share option scheme and any other option schemes of the Company at any time must not exceed 30% of the shares in issue from time to time (the "Option Scheme Limit"). No options may be granted under any schemes of the Company if this will result in the Option Scheme Limit being exceeded.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

The following share options were outstanding under the Plans during the years ended 31 December 2019 and 2018:

	Weighted average exercise price USD	**Number of options '000**
At 1 January 2018		104,258
Granted during the year	0.81	53,571
Exercised during the year	0.46	(32,472)
At 31 December 2018 and at 1 January 2019		125,357
Granted during the year	1.49	5,797
Forfeited during the year	1.52	(379)
Exercised during the year	0.48	(48,601)
At 31 December 2019		82,174

The weighted average share price at the date of exercise for share options exercised during the year ended 2019 was HKD17.48 per share.

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42. SHARE OPTION PLAN (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of each of the years ended 31 December 2019 and 2018 are as follows:

2018 Number of options '000	Exercise price USD per share	Exercise period
4,189	0.2520	01-02-19 to 31-01-24
67,597	0.4600	20-04-17 to 20-01-26
15,247	0.4722	01-01-23* to 11-12-27
37,451	0.9445	01-01-23* to 14-01-28
873	1.1453	16-08-23* to 15-08-28
125,357		

2019 Number of options '000	Exercise price USD per share	Exercise period
4,189	0.2520	01-02-19 to 31-01-24
24,700	0.4600	20-04-17 to 20-01-26
11,837	0.4722	01-01-23* to 22-02-29
35,157	0.9445	01-01-23* to 19-05-29
873	1.1453	16-08-23* to 15-08-28
1,098	1.3655	16-02-24* to 25-02-29
4,320	1.5172	16-02-24* to 19-05-29
82,174		

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

a) an IPO;

b) an Early Vesting Event;

c) 5 years of the date of grant.

If there is (i) a sale of all or substantially all of the shares in; or (ii) a disposal of all or substantially all of the business of the member of the Group of which a participant is a director or by which the participant is employed, as appropriate, by way of trade sale or by way of sale to a third party (an "Early Vesting Event"), any options granted to the participant will vest in full on the occurrence of the Early Vesting Event.

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42. SHARE OPTION PLAN (continued)

The fair value of the share options granted during 2018 and 2019 was approximately USD36,456,000 (USD0.68 each) and USD2,640,000 (USD0.46 each), respectively.

The fair value of equity-settled share options granted during the years ended 31 December 2019 and 31 December 2018, was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	As at 31 December 2019 USD'000	**As at 31 December 2018 USD'000**
Dividend yields (%)	–	–
Volatility	20.09	32.70-34.41
Risk-free interest rate (%)	2.26-2.77	2.33-3.11
Expected life of options (year)	10.00	8.8-10

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The 42,897,000 share options exercised during the year resulted in the issue of 18,452,806 ordinary shares of the Company and new share capital of USD19,000 (before issue expenses), as further detailed in note 41. Shares to be issued for 5,705,000 share options exercised during the year will be issued after 1 May 2020 as a result of a delayed settlement arrangement. The exact number of shares to be issued is subject to calculation (by considering any income tax and social security contribution), which shall not be more than the number of options exercised in any event.

At the 31 December 2019, the Company had 82,174,000 share options outstanding under the Plans. The exercise in full of the outstanding share options by conventional exercise method would, under the present capital structure of the Company, result in the issue of 82,174,000 additional ordinary shares of the Company and additional share capital and share premium of USD60,266,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 82,174,000 share options outstanding under the Plans, which represented approximately 2.71% of the Company's shares in issue as at that date.

43. PERPETUAL CAPITAL SECURITIES

On 7 June 2017, the Company issued subordinated perpetual capital securities with aggregate net proceeds equivalent to USD98,845,000.

The distribution rate is 8.25% per annum, with the first distribution rate resets falling on 7 June 2020 and subsequent resets occurring every three years thereafter. Distributions are payable semi-annually in arrears. Subject to the relevant terms and conditions in the offering circular, the Company may elect to defer making distributions on the perpetual capital securities and is not subject to any limits as to the number of times a distribution can be deferred.

The perpetual capital securities may be redeemed at the option of the Company, on 7 June 2020 or upon the occurrence of certain redemption events specified in the conditions of the issuance. The perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated statement of financial position.

Movements of the perpetual capital securities are as follows:

	Principal USD'000	Distribution USD'000	Total USD'000
At 1 January 2018	98,845	–	98,845
Repurchase of perpetual capital securities	(1,466)	–	(1,466)
Profit attributable to holders of perpetual capital instruments	–	8,192	8,192
Distribution to holders of perpetual capital instruments	–	(8,192)	(8,192)
At 31 December 2018 and 1 January 2019	97,379	–	97,379
Profit attributable to holders of perpetual capital instruments	–	8,250	8,250
Distribution to holders of perpetual capital instruments	–	(8,250)	(8,250)
At 31 December 2019	97,379	–	97,379

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44. RESERVES

(a) Group

The amount of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity of the financial statements.

(i) Statutory reserve

In accordance with the Company Law of the People's Republic of China, the subsidiaries in PRC are required to allocate 10% of the statutory after tax profits to the statutory reserve until the cumulative total of the reserve reaches 50% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The statutory reserve is not available for dividend distribution to shareholders of PRC subsidiaries.

(ii) Merger reserve

The merger reserve of the Group represents the reserve arose pursuant to the reorganisation of subsidiaries.

(iii) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group's presentation currency.

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44. RESERVES (continued)

(b) The Company

	Share premium USD'000	Share option reserve USD'000	Exchange fluctuation reserve USD'000	Accumulated losses USD'000	Investment reserve (non-recycling) USD'000	Other reserve USD'000	Total USD'000
As at 1 January 2019	1,370,398	25,341	(8,304)	(153,042)	6,607	–	1,241,000
Loss for the year	–	–	–	(145,707)	–	–	(145,707)
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	2,204	–	2,204
Share of other comprehensive income of joint ventures	–	–	2,039	–	–	–	2,039
Total comprehensive loss for the year	–	–	2,039	(145,707)	2,204	–	(141,464)
Profit attributable to holders of perpetual capital securities	–	–	–	(8,250)	–	–	(8,250)
Issue of new shares pursuant to Global Offering	601,004	–	–	–	–	–	601,004
Share issue expenses	(11,958)	–	–	–	–	–	(11,958)
Issue of shares upon exercise of share options	7,584	(7,603)	–	–	–	–	(19)
Conversion of redeemable convertible preference shares	75,498	–	–	–	–	–	75,498
Redemption of redeemable convertible preference shares	–	–	–	–	–	29,218	29,218
Settlement of share options by cash	–	(10,391)	–	(4,849)	–	–	(15,240)
Transfer of share option reserve upon the forfeiture of share option	–	(15)	–	15	–	–	–
Equity-settled share option arrangement	–	18,469	–	–	–	–	18,469
As at 31 December 2019	2,042,526	25,801	(6,265)	(311,833)	8,811	29,218	1,788,258

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44. RESERVES (continued)

(b) The Company (continued)

	Share premium USD'000	Share option reserve USD'000	Exchange fluctuation reserve USD'000	Accumulated losses USD'000	Investment reserve (non-recycling) USD'000	Total USD'000
As at 1 January 2018	972,735	12,345	494	(101,472)	–	884,102
Loss for the year	–	–	–	(43,378)	–	(43,378)
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	6,607	6,607
Share of other comprehensive loss of joint ventures	–	–	(8,798)	–	–	(8,798)
Total comprehensive loss for the year	–	–	(8,798)	(43,378)	6,607	(45,569)
Issue of shares	370,959	(10,161)	–	–	–	360,798
Transferred from financial liabilities	26,704	–	–	–	–	26,704
Profit attributable to holders of perpetual capital securities	–	–	–	(8,192)	–	(8,192)
Equity-settled share option arrangement	–	23,157	–	–	–	23,157
As at 31 December 2018	1,370,398	25,341	(8,304)	(153,042)	6,607	1,241,000

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank and other borrowings, financial liabilities included in trade and other payables, cash and bank balances, trade receivables, financial assets included in prepayments, other receivables and other assets, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets included in other non-current assets. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables, cash and short-term deposits, which arose directly from its operations. The main risks faced by the Group are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The directors reviews and agrees policies for managing each of the risks.

Interest rate risk

The Group's exposure to the risk of changes in interest rates relates primarily to its interest- bearing bank and other borrowings. The Group does not use derivative financial instruments to manage its interest rate risk. The interest rates and terms of repayments of the borrowings are disclosed in note 26.

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45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity to reasonably possible changes in interest rate, with all other variables held constant, of the Group's profit before tax (mainly the impact on floating rate borrowings). The Group's equity is not affected, other than the consequential effect on the accumulated losses of the changes in profit before tax as disclosed below.

	Increase/(decrease) in basis point USD'000	**(Decrease)/increase in profit before tax USD'000**
Year ended 31 December 2019	100/(100)	(13,615)/13,615
Year ended 31 December 2018	100/(100)	(4,548)/4,548

Foreign currency risk

The Group had monetary assets and liabilities, which were denominated in foreign currencies, and were exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in currencies that are not the functional currencies of the relevant entities.

The following table details the Group's sensitivity to a 1% increase and decrease in the relevant foreign currencies against the functional currency. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at 31 December 2019 for a 1% change in foreign currency rates.

	2019 USD'000	2018 USD'000
Increase/(decrease) in profit before tax		
If USD weakens against RMB	**2,100**	997
If USD strengthens against RMB	**(2,100)**	(997)
If USD weakens against JPY	**(268)**	(2,008)
If USD strengthens against JPY	**268**	2,008
If USD weakens against SGD	**(1,158)**	–
If USD strengthens against SGD	**1,158**	–
If USD weakens against AUD	**477**	–
If USD strengthens against AUD	**(477)**	–

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45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

IFRS 9

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meets its contractual obligation. The Group has no concentration of credit risk from third party debtors. The carrying amounts of restricted cash, cash and bank balances, financial assets included in prepayments, other receivables and other assets in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

All cash and bank balances were deposited in high-credit-quality financial institutions without significant credit risk.

The Group has established a policy to perform an assessment of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the other receivables into Stage 1 and Stage 2, as described below:

Stage 1 — When other receivables are first recognised, the Group recognises an allowance based on 12 months' expected credit loss (ECL)

Stage 2 — When other receivables have shown a significant increase in credit risk since origination, the Group recognises an allowance for the lifetime ECLs

Management also regularly reviews the recoverability of these receivables and follow up the dispute or amount overdue, if any. The management is of the opinion that the risk of default by counterparties is low.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compare the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The expected loss allowance provision for these balances was not material during the years ended 31 December 2019 and 2018.

The Group assessed that the expected credit losses for these receivables are not material under the 12-month expected loss method. Thus no loss allowance provision was recognised during the years ended 31 December 2019 and 2018.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are disclosed in note 23 and note 24.

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45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's policy is to maintain sufficient cash and bank balances or to have available funding through the use of bank and other borrowings to meet its commitments over the foreseeable future in accordance with its strategic plan.

The maturity profile of the Group's financial liabilities as at 31 December 2019 and 2018, based on the contractual undiscounted payments, is as follows:

Group

	Less than 1 year USD'000	1 to 5 year USD'000	Over 5 years USD'000	Total USD'000
31 December 2019				
Interest-bearing bank and other borrowings	361,408	2,435,570	199,490	2,996,468
Trade and other payables	181,126	–	–	181,126
Lease liabilities	6,064	12,644	70,893	89,601
Other non-current liabilities	–	–	44,630	44,630
	548,598	2,448,214	315,013	3,311,825

	Less than 1 year USD'000	1 to 5 year USD'000	Over 5 years USD'000	Total USD'000
31 December 2018				
Interest-bearing bank and other borrowings	505,154	931,709	248,482	1,685,345
Redeemable convertible preference shares	283,925	–	–	283,925
Trade and other payables	92,102	–	–	92,102
Lease liabilities	3,774	4,755	2,807	11,336
Other non-current liabilities	–	–	35,766	35,766
	884,955	936,464	287,055	2,108,474

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45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Company

	Less than 1 year USD'000	1 to 5 year USD'000	Over 5 years USD'000	Total USD'000
31 December 2019				
Interest-bearing bank and other borrowings	211,729	930,527	–	1,142,256
Trade and other payables	108,795	–	–	108,795
Other non-current liabilities	–	544,920	–	544,920
	320,524	1,475,447	–	1,795,971

	Less than 1 year USD'000	1 to 5 year USD'000	Over 5 years USD'000	Total USD'000
31 December 2018				
Interest-bearing bank and other borrowings	66,346	317,008	–	383,354
Redeemable convertible preference shares	283,925	–	–	283,925
Trade and other payables	55,987	–	–	55,987
Other non-current liabilities	–	–	516,523	516,523
	406,258	317,008	516,523	1,239,789

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45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through comprehensive income (note 18) as at 31 December 2019 and 2018. The Group's listed investments are listed on Hong Kong Exchanges and Clearing Limited, Singapore Exchange Securities Trading Limited, and Australian Securities Exchange and are valued at quoted market prices at the end of each of the years ended 31 December 2019 and 2018.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of each of the years ended 31 December 2019 and 2018, and their respective highest and lowest points during the year were as follows:

	31 December 2019	High/Low 2019	31 December 2018	High/Low 2018
Australia — AORD Index	6,802	6,996/5,620	5,709	6,481/5,478
Singapore — STI Index	3,223	3,415/2,956	3,069	3,642/2,956
Hong Kong — Hang Seng Index	28,190	30,280/24,897	25,846	33,484/24,541

Capital management

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

The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

The Group monitors capital using net gearing ratio, which is calculated by dividing net debt, defined as total bank and other borrowings less cash and bank balances, by total assets at the end of each year. The gearing ratios as at 31 December 2019 and 2018 were as follows:

	As at 31 December 2019 USD'000	As at 31 December 2018 USD'000
Bank and other borrowings		
Current	232,209	436,194
Non-current	2,338,708	1,024,279
Bank and other borrowings — Total	2,570,917	1,460,473
Less: Cash and bank balances	(884,206)	(581,379)
Net debt	1,686,711	879,094
Total assets	6,352,198	4,431,600
Gearing ratio	26.6%	19.8%

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31 December 2019

46. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 31 December 2019 and 2018 are as follow:

31 December 2019

Financial assets	Financial assets at fair value through profit or loss USD'000	Amortised cost USD'000	Financial assets at fair value through other comprehensive income USD'000	Total USD'000
Financial assets at fair value through profit or loss	589,417	–	–	589,417
Financial assets at fair value through other comprehensive income	–	–	542,925	542,925
Trade receivables	–	88,897	–	88,897
Other non-current assets	6,036	10,542	–	16,578
Financial assets included in prepayments, other receivables and other assets	1,494	74,037	–	75,531
Pledged bank deposits	–	45,800	–	45,800
Restricted bank balances	–	21,038	–	21,038
Cash and bank balances	–	816,487	–	816,487
Non-pledged fixed time deposits with maturity period over three months	–	881	–	881
	596,947	1,057,682	542,925	2,197,554

Financial liabilities	Financial liabilities at amortised cost USD'000	Total USD'000
Trade and other payables	181,126	181,126
Interest-bearing bank and other borrowings	2,570,917	2,570,917
Lease liabilities	23,156	23,156
Other non-current liabilities	44,630	44,630
	2,819,829	2,819,829

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31 December 2019

46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

31 December 2018

Financial assets	Financial assets at fair value through profit or loss USD'000	Amortised cost USD'000	Financial assets at fair value through other comprehensive income USD'000	Total USD'000
Financial assets at fair value through profit or loss	335,771	–	–	335,771
Financial assets at fair value through other comprehensive income	–	–	484,239	484,239
Trade receivables	–	63,057	–	63,057
Other non-current assets	–	10,478	–	10,478
Financial assets included in prepayments, other receivables and other assets	–	200,401	–	200,401
Pledged bank deposits	–	44,711	–	44,711
Restricted bank balances	–	19,294	–	19,294
Non-pledged fixed time deposits with maturity period over three months	–	15,318	–	15,318
Cash and bank balances	–	502,056	–	502,056
	335,771	855,315	484,239	1,675,325

Financial liabilities	Financial liabilities at amortised cost USD'000	Total USD'000
Trade and other payables	92,102	92,102
Interest-bearing bank and other borrowings	1,460,473	1,460,473
Lease liabilities	9,685	9,685
Other non-current liabilities	35,766	35,766
Redeemable convertible preference shares	296,778	296,778
	1,894,804	1,894,804

Notes to the Consolidated Financial Statements

31 December 2019

47. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The management is responsible for determining the policies and procedures for the fair value management of financial instruments. At each reporting date, the management analyzes the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors for annual financial reporting.

Management has assessed that the fair values of cash and bank balances, amounts due from related parties, trade receivables, financial assets included in prepayments, other receivables and other assets, current interest-bearing bank and other borrowings, amounts due to related parties, trade payables, and financial liabilities included in other payables and accruals, approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

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

The summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of each of the financial year is as follows.

	Valuation technique	Key unobservable input	Range	Sensitivity of the fair value to the input
Unlisted financial assets at fair value through profit or loss	Net asset value	Net asset value	2019: USD356,000 to USD638,960,000 2018: USD143,841 to USD63,969,088	1% increase (decrease) in net asset value would result in increase (decrease) in fair value by 1%
Investment in CCD at fair value	Discounted cash flow	Cost of equity	2019: 9.75% to 10.05% 2018: nil	The estimate fair value varies inversely against the rate

Notes to the Consolidated Financial Statements

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47. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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

Group

Assets measured at fair value

	Quoted prices in active market (Level 1) USD'000	Significant unobservable inputs (Level 3) USD'000	Total USD'000
As at 31 December 2019			
Financial assets at fair value through profit or loss	1,494	595,453	596,947
Financial assets at fair value through other comprehensive income	542,925	–	542,925
	544,419	595,453	1,139,872
As at 31 December 2018			
Financial assets at fair value through profit or loss	–	335,771	335,771
Financial assets at fair value through other comprehensive income	484,239	–	484,239
	484,239	335,771	820,010

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

	As at 31 December 2019 USD'000	As at 31 December 2018 USD'000
Financial assets at fair value through profit or loss — unlisted		
At 1 January	335,771	292,982
Total gain recognised in profit or loss included in other income	73,610	48,055
Distribution	(22,438)	–
Purchases	208,513	160,141
Disposal	–	(164,072)
Exchange realignment	(3)	(1,335)
	595,453	335,771

Notes to the Consolidated Financial Statements

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47. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Group (continued)

Assets measured at fair value (continued)

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

	As at 31 December 2018 USD'000
Financial assets at fair value through other comprehensive income	
At 1 January	–
Purchases	132
Transfer from available-for-sale investment at cost	8,327
Disposal	(8,459)
	–

Liabilities measured at fair value

	As at 31 December 2018 USD'000
At 1 January	13,671
Total gain recognised in profit or loss	3,118
Transfer to other payables	(16,789)
	–

During the years ended 31 December 2019 and 2018, there were no transfers of fair values measurements into or out of Level 3 for financial liabilities.

Company

Assets measured at fair value

	Quoted prices In active market (Level 1) USD'000	Significant unobservable inputs (Level 3) USD'000	Total USD'000
As at 31 December 2019			
Financial assets at fair value through other comprehensive income	34,348	–	34,348
As at 31 December 2018			
Financial assets at fair value through other comprehensive income	32,549	–	32,549

Notes to the Consolidated Financial Statements

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48. EVENTS AFTER THE REPORTING DATES

On 13 January 2020, the Group entered into a strategic partnership with Singapore's sovereign wealth fund GIC Pte. Ltd. ("GIC") to establish a joint venture with a total equity commitment of USD500 million which will focus on the development of institutional grade, state of-the-art logistics facilities in key cities across China.

On 17 February 2020, the Group announced an estimated JPY27 billion investment (equivalent to approximately USD245 million) to develop ESR Yatomi Kisosaki Distribution Centre ("ESR Yatomi Kisosaki DC") in Greater Nagoya, Japan.

In February 2020, the Company entered into a new facility agreement for a USD250 million three-year syndicated unsecured term loan with leading international banks at a rate of Libor plus 3.00%.

On 26 February 2020, the Company issued a SGD225 million (approximately USD166 million) of five-year fixed rate notes bearing 5.10% per annum which due in February 2025, pursuant to its USD2.0 billion Multicurrency Debt Issuance Programme.

On 20 March 2020, the Board announced that it intends to exercise the general mandate to repurchase shares of the Company (the "Shares") (the "Repurchase Mandate") granted by the Shareholders pursuant to resolutions of the Shareholders passed on 12 October 2019, to repurchase Shares in the open market from time to time (the "Share Repurchase"). The Share Repurchase will only be conducted after issuance of the Company's annual results. Pursuant to the Repurchase Mandate, the Board may repurchase up to 10% of the total number of Shares in issue immediately following completion of the Global Offering (as defined in the prospectus of the Company dated 22 October 2019).

49. UPDATE ON COVID-19

After the reporting period, there is an outbreak of COVID-19 in early 2020. The current COVID-19 situation is a fluid one and the Group is monitoring it closely. The well-being and safety of the Group's stakeholders including ESR employees, tenants and capital partners are of utmost importance to the Group. As such, appropriate measures have been undertaken across the Group.

At present, there has been minimal disruption caused by COVID-19 to the Group's development and operating projects. In addition, the Group remains well-capitalised as at 31 December 2019, as well as new financings (as disclosed in Note 48) post financial year-end. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

Nonetheless, given the uncertainty around the continued spread and outbreak of the virus, it is difficult to predict how long these conditions will continue and the full extent to which ESR may be affected in the future. The Group will continue to be vigilant, maintain flexibility in the operations, proactively manages and reacts to its impacts on the financial position and operating results of the Group, as appropriate.

Notes to the Consolidated Financial Statements

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50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2019 USD'000	As at 31 December 2018 USD'000
NON-CURRENT ASSETS			
Property, plant and equipment		311	358
Financial assets at fair value through other comprehensive income		34,348	32,549
Investments in subsidiaries		698,150	629,822
Investment in a joint venture		248,563	220,180
Other intangible assets		296	432
Other non-current assets		2,734	–
Total non-current assets		984,402	883,341
CURRENT ASSETS			
Prepayments, other receivables and other assets		2,017,965	1,452,762
Cash and bank balances		458,969	230,546
Total current assets		2,476,934	1,683,308
CURRENT LIABILITIES			
Bank and other borrowings	26	149,998	339,691
Redeemable convertible preference shares		–	296,778
Trade payables, accruals and other payables		108,795	55,987
Income tax payable		994	993
Total current liabilities		259,787	693,449
NET CURRENT ASSETS		2,217,147	989,859
TOTAL ASSETS LESS CURRENT LIABILITIES		3,201,549	1,873,200
NON-CURRENT LIABILITIES			
Bank and other borrowings	26	817,875	–
Trade payables, accruals and other payables		495,000	495,000
Total non-current liabilities		1,312,875	495,000
NET ASSETS		1,888,674	1,378,200
EQUITY			
Issued capital		3,037	2,689
Perpetual capital securities		97,379	97,379
Equity components of redeemable convertible instruments		–	37,132
Other reserves	44	1,788,258	1,241,000
Total equity		1,888,674	1,378,200

Mr Jeffrey David Perlman
Director

Mr Jinchu Shen
Director

Notes to the Consolidated Financial Statements

31 December 2019

51. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 21 March 2020.

Group Financial Summary

RESULTS (US$'000) **For the year ended**	**2016**	**2017**	**2018**	**2019**
Revenue				
Rental income	50,273	57,844	74,311	118,042
Management fee income	46,464	94,268	135,579	166,721
Construction income	–	–	40,665	69,858
Solar energy income	–	1,177	3,593	2,748
	96,737	**153,289**	**254,148**	**357,369**
Segment Results				
Investment	149,376	182,933	233,592	256,087
Fund management	39,173	79,371	109,601	131,825
Development	50,187	161,559	115,503	244,782
	238,736	**423,863**	**458,696**	**632,694**
Profit after tax	**104,844**	**200,834**	**212,878**	**278,400**
Profit attributable to:				
Owners of the Company ("PATMI")	88,267	186,265	203,042	245,177
Non-controlling interests	16,577	14,569	9,836	33,223
	104,844	**200,834**	**212,878**	**278,400**

ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY (US$'000) **At 31 December**	**2016**	**2017**	**2018**	**2019**
Non-current assets	1,584,442	2,386,490	3,562,491	5,156,142
Current assets	517,100	668,378	869,109	1,196,056
Total assets	**2,101,542**	**3,054,868**	**4,431,600**	**6,352,198**
Current liabilities	109,538	162,362	855,373	488,976
Non-current liabilities	1,141,700	1,185,866	1,258,305	2,612,110
Total liabilities	**1,251,238**	**1,348,228**	**2,113,678**	**3,101,086**
Net assets	**850,304**	**1,706,640**	**2,317,922**	**3,251,112**
Equity attributable to owners of the Company	766,226	1,580,085	2,090,039	3,026,254
Non-controlling interests	84,078	126,555	227,883	224,858
Total equity	**850,304**	**1,706,640**	**2,317,922**	**3,251,112**

Group Financial Summary

FINANCIAL METRICS

Financial Year	2016	2017	2018	2019
EBITDA (US$'000) [1]	201,281	369,661	384,212	549,091
Adjusted EBITDA (US$'000) [1]	106,014	181,935	239,586	358,933
Core PATMI (US$'000) [1]	12,743	126,804	147,619	226,723
Net debt (US$'000)[2]	349,720	232,644	879,094	1,686,711
Net debt/total assets	16.6%	7.6%	19.8%	26.6%

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

(2) Net debt is calculated as bank and other borrowings less cash and bank balances.

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

FINANCIAL YEAR (in US$'000)	2016	2017	2018	2019
Profit before tax	139,732	273,174	270,587	360,334
Add/(less):				
Depreciation and amortisation	6,059	8,061	10,226	16,363
Finance costs	55,992	90,903	104,929	180,368
Interest income	(502)	(2,477)	(1,530)	(7,974)
EBITDA	201,281	369,661	384,212	549,091
Add/(less):				
Exchange (gain)/loss	(916)	(4,431)	869	1,111
Equity-settled share option expense	75	11,923	23,157	18,469
Fair value loss on derivative financial instruments	12,133	–	–	–
Write-off related to loss of property, plant and equipment	–	–	9,632	–
Listing expenses	–	–	2,521	16,345
One-off insurance compensation	–	–	(8,338)	–
Fair value gains on investment properties	(106,559)	(195,218)	(172,467)	(226,083)
Adjusted EBITDA	106,014	181,935	239,586	358,933
Profit after tax and minority interests	88,267	186,265	203,042	245,177
Add/(less):				
Fair value gains on completed investment properties	(100,799)	(95,179)	(109,688)	(68,568)
Tax effect of adjustments	25,200	23,795	28,587	15,300
Listing expenses	–	–	2,521	16,345
Equity-settled share option expense	75	11,923	23,157	18,469
Core PATMI	12,743	126,804	147,619	226,723

Corporate Information

EXECUTIVE DIRECTORS
Mr Jinchu SHEN *(Co-CEO)*
Mr Stuart GIBSON *(Co-CEO)*
Mr Charles Alexander PORTES *(President)*

NON-EXECUTIVE DIRECTORS
Mr Jeffrey David PERLMAN *(Chairman of the Board)*
Mr Joseph Raymond GAGNON
Mr Zhenhui WANG
Mr Ho Jeong LEE

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

COMPANY SECRETARY
Mr Richard Kin-sing LEE

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Mr Joseph Raymond GAGNON
Mr Ho Jeong LEE
Mr Brett Harold KRAUSE
Mr Robin Tom HOLDSWORTH

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

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

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Credit Suisse AG
DBS Bank Ltd.
Deutsche Bank AG Singapore Branch
Goldman Sachs Bank USA
MUFG Bank
Mizuho Bank, Ltd.
National Australia Bank Limited
Standard Chartered Bank
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