ESR

STEP CHANGE

Annual Report 2020

ESR Cayman Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1821

RESILIENCE

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 position enables us to provide our high-quality tenants with seamless regional solutions, and to connect 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.

AUM Growth of 35% to
US$29.9 billion

Record capital fundraising
of **US$3.5 billion**

15.5 million sqm
in development pipeline

Well-diversified portfolio provides resilience to market changes and disruption

GREATER SCALE

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.

Robust cash position of
US$1.5 billion

Healthy net debt to total assets ratio of **23.2%**

E-commerce acceleration will continue to drive demand for logistics infrastructure which will propel ESR's next stage of growth and value creation

DEEPEN PRESENCE

Actively exploring opportunities in key markets and new growth locations

Strong network of high-quality tenants and best-in-class capital partners

INTEGRATED 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.

#1 Asia Focused Logistics Real Estate Platform with top positions in its respective markets

»

US$29.9 billion
Total AUM

20.1 million sqm
GFA

US$11.0 billion
Market Capitalisation

* Information as at 31 December 2020

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End Corporate Information

Space and Solutions for the Future

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.

INVESTMENT

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

FUND MANAGEMENT

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

DEVELOPMENT

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

Over **20.1** million sqm GFA in operation and under development[1]

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

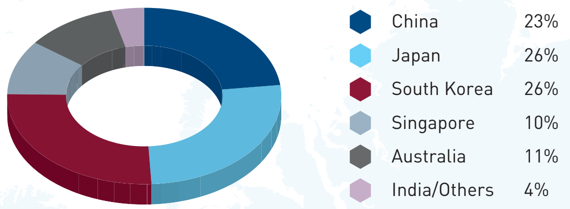
336 Properties across six regions in Asia Pacific

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

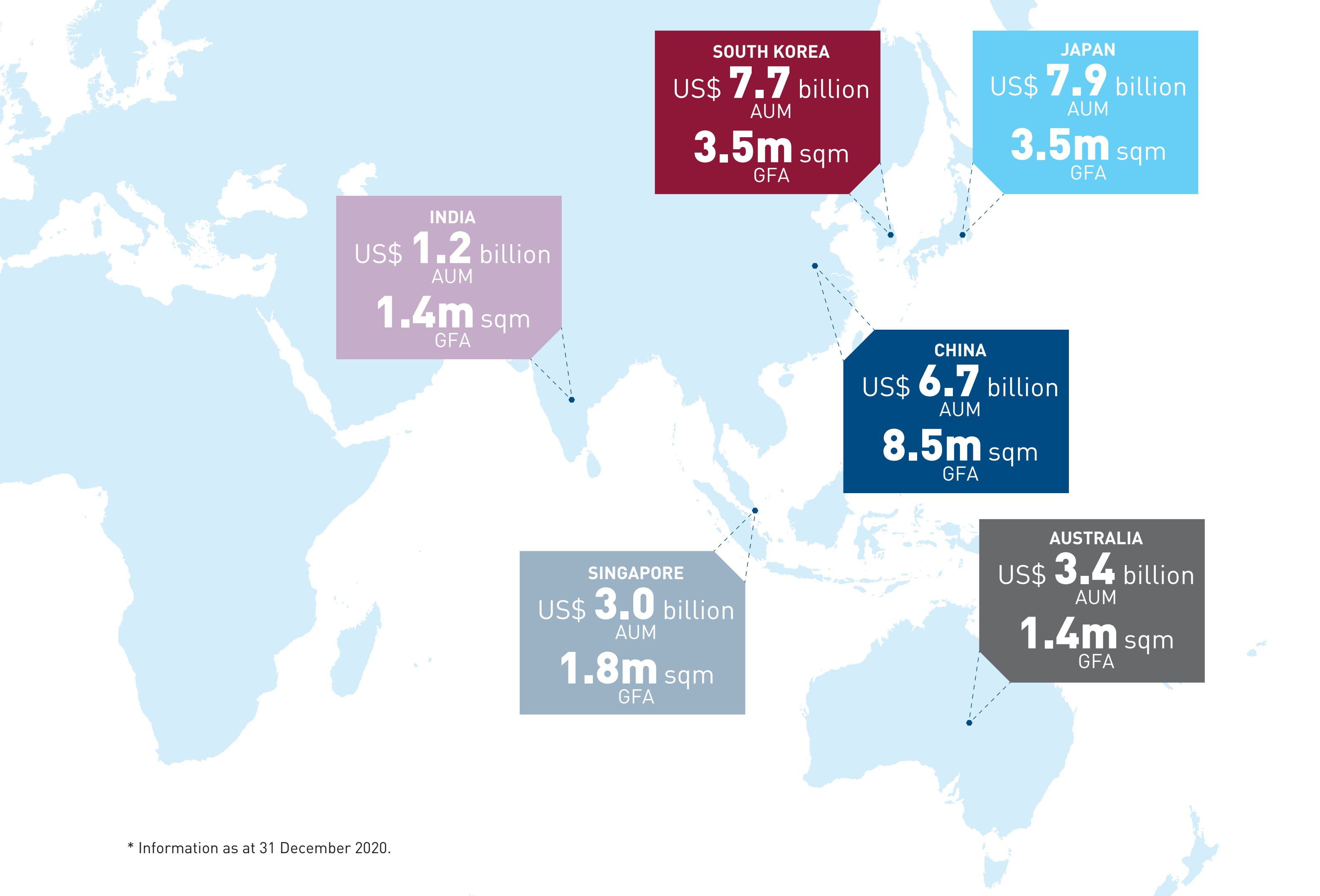
34 private third-party investment vehicles and **3** listed REITs

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

AUM by region



GFA by region



* Information as at 31 December 2020.

Notes:
1 Consisting of approximately 11.8 million sqm of GFA of completed properties, approximately 4.6 million sqm of GFA of properties under construction and approximately 3.7 million sqm of GFA to be built on land held for future development as of 31 December 2020.
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.

FY2020 Financial Highlights

FY2020

Total Segmental EBITDA
US$663 million
▲ 4.7%

Total PATMI
US$286 million
▲ 16.8%

Assets under Management[2]
US$29.9 billion
▲ 35.3%

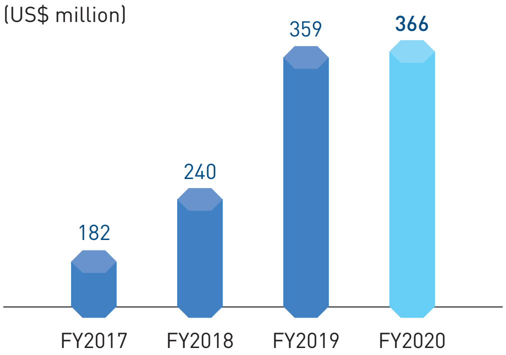
Core PATMI[1]
US$260 million
▲ 14.7%

Market Capitalisation[2]
US$11.0 billion

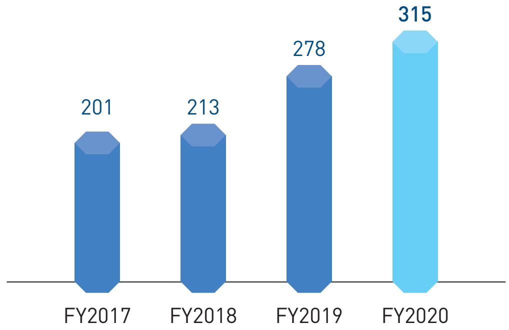
Weighted Average Interest Cost[2]
4.6%

Notes:
1. Core PATMI is calculated as profit after tax and minority interests, adding back equity-settled share option expense, and less the effect of fair value gains on completed investment properties (net of tax). Refer to non-IFRS measures reconciliation in page 224.
2. As at 31 December 2020.

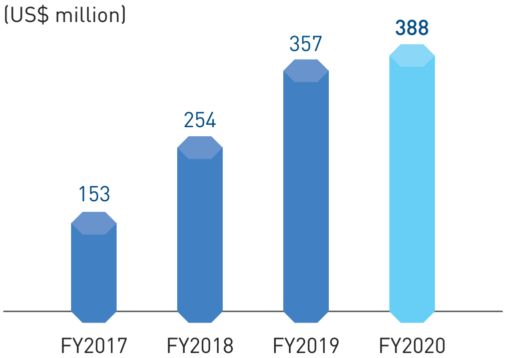
Adjusted EBITDA[1]
(US$ million)



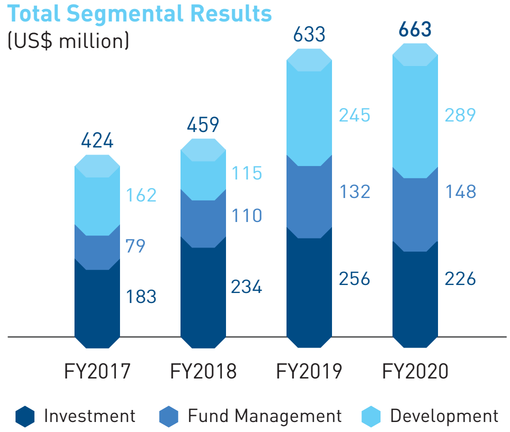
Profit after Tax
(US$ million)



Revenue
(US$ million)



Total Segmental Results
(US$ million)



CASH	NET DEBT/TOTAL ASSETS	NET DEBT/EQUITY
US$1.5 billion	**23.2%**	**46.8%**

BALANCE SHEET (US$ MILLION)	FY2017	FY2018	FY2019	FY2020
Total Assets	3,055	4,432	6,352	7,687
Cash and bank balances	601	581	884	1,515
Bank and other borrowings	833	1,460	2,571	3,295
Net debt[2]	233	879	1,687	1,780
Net debt/total assets	7.6%	19.8%	26.6%	23.2%

Notes:
1. Adjusted EBITDA is calculated as profit before tax, adding back depreciation and amortization, exchange loss/(gain), finance costs, equity-settled share option expense, 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.

* EBITDA, Adjusted EBITDA and Core PATMI are non-IFRS measures. These measures are presented because the Group believes they are useful measures to determine the Group's financial condition and historical ability to provide investment returns. EBITDA, Adjusted EBITDA and Core PATMI and any other measures of financial performance should not be considered as an alternative to cash flows from operating activities, a measure of liquidity or an alternative to net profit or indicators of the Group's operating performance on any other measure of performance derived in accordance with IFRS. Because EBITDA, Adjusted EBITDA and Core PATMI are not IFRS measures, these may not be comparable to similarly titled measures presented by other companies. Refer to non-IFRS measures reconciliation in page 224.

FY2020 Operational Highlights

RAISED
US$ 3.5 billion
of new capital from seven new funds across China, South Korea, Japan, Australia and India

OVER
US$ 3.7 billion
of committed but uncalled capital to invest

LEASED
2.3 million sqm
of space[1] across portfolio

E-commerce and 3PLs remain key drivers of demand representing
64%
of portfolio leases[2]

CLOSE TO
US$ 1 billion
of assets recycled from balance sheet to ESR managed funds

Fund AUM increased 41% year-on-year to
US$ 27.1 billion

Notes:
1 Based on assets held on balance sheet and portfolio assets held in funds and investment vehicles.
2 Based on leased area for FY2020.
3 Based on stabilised assets on balance sheet as at 31 December 2020.
4 Based on assets on balance sheet and portfolio assets in funds and investment vehicles by leased area as at 31 December 2020.
5 Based on estimated total cost.

US$ 3.2 billion
of new development starts

Strong development workbook with
US$ 4.7 billion[5]
of work in progress

US$ 3.4 billion
of development completions

High occupancy of
90%
across portfolio[3]

Well-staggered portfolio WALE of
4.2 YEARS[4]

Robust landbank of
3.7 million sqm
of GFA

ESR Tianjin Fanbin Logistics Park, Tianjin, China

Message from Chairman

JEFFREY DAVID PERLMAN
Chairman

Dear Shareholders,

As we look back on 2020, our first full year post-IPO, it was a challenging and fast-paced yet a highly rewarding year for ESR.

When COVID-19 emerged with force around the world and profoundly impacted our daily lives, we all needed to change the way we worked, the way we managed and the way we engaged with one another. This was no easy task, but I am pleased to highlight that through hard work and dedication, the ESR team doubled down on its efforts to fulfil the power of our platform — delivering critical and best-in-class infrastructure for the new economy. The team was able to achieve this while ensuring the safety and well-being of our employees, their families and the communities where the Group operates. I am extremely proud of how the ESR team across the region stepped up to the various challenges in support of their colleagues, customers, capital partners and other key stakeholders. We should all take great encouragement from this as we turn the page on 2020 and move with purpose into 2021.

A year of major milestones

FY2020 was a banner year for ESR. Our fund management platform and asset portfolio continued to achieve strong growth, solidifying our position as the leading logistics real estate platform in Asia Pacific. Our financial and operational results set records for the Group on multiple fronts, including AUM, PATMI, capital raising, leasing, development starts and development completions.

On the fund management side, AUM grew by 35.3% to an all-time high of approximately US$30 billion. We are proud to have hit this ambitious target 12 months ahead of schedule. From 2016 to 2018 we doubled our AUM from US$7.4 billion to US$16.0 billion, and once again we have nearly doubled our AUM in two years' time, marking yet another major milestone for ESR.

Revenue for the year was US$388 million, up 8.7% from US$357 million in FY2019. PATMI hit a record high of US$286 million, representing 16.8% growth from US$245 million in FY2019.

Our capital partners, many of whom have become repeat investors with the Group, committed substantial new capital to the Group in FY2020. We had a record fundraising haul, raising over US$3.5 billion of capital commitments across multiple mandates. We now have US$3.7 billion in unfunded capital commitments (i.e. "dry powder") across various geographies to deploy as we move into 2021.

Despite the challenges posed by COVID-19, we also achieved record leasing of more than 2.3 million sqm, record new project completions of US$3.4 billion and record new development starts of US$3.2 billion. The support of our tenants and the continued growth of our development workbook demonstrate the resilience and strength of our unique business model, positioning and deep set of relationships.

ESR continues this significant growth while managing the balance sheet in a very prudent fashion. We closed the year with a cash balance of US$1.5 billion and a low net gearing ratio of 23.2%. Post-IPO, ESR continues to lower its borrowing cost and further diversify its roster of banks and financial providers. Key corporate funding activities in FY2020 included our S$225 million 5.10% per annum fixed rate notes under our US$2 billion Multicurrency

Through the years, our proven business model, forward-thinking strategy, best-in-class asset portfolio, strong balance sheet and highly professional team have helped us deliver solid growth and sustainable returns across multiple cycles.

Debt Issuance Programme, a US$250 million three-year unsecured senior term loan at Libor plus 3.00%, US$350 million 1.50% convertible bonds due 2025 and a JPY15 billion three-year unsecured senior term loan at JPY Tibor plus 2%.

On the back of our successful IPO on the Main Board of the Hong Kong Stock Exchange in 2019, we delivered another landmark deal in the equity capital markets. In December 2020, ESR successfully listed ESR Kendall Square REIT on the Korea Exchange. The first logistics-focused REIT in South Korea, this represents a transformational vehicle for ESR's business in the country, facilitating the long-term growth of the Group's integrated platform of public and private vehicles, and in line with ESR's strategy to establish core investment platforms in our key markets.

The efforts and performance of ESR have won wide recognition from the capital markets. As at 31 December 2020, ESR's market capitalisation reached US$11.0 billion. The Group was also selected as a constituent of the FTSE Global Equity Index Series (Large Cap), MSCI Hong Kong Index and Hang Seng Composite Index, and it was included in both Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. These accomplishments reflect the long-term investment values of both ESR and the logistics real estate industry in Asia Pacific.

Advancing ESG stewardship

New economy infrastructure (especially logistics real estate) is more important today than ever before given the transformational behaviour changes caused by COVID-19. As Asia Pacific's leading logistics real estate platform, ESR understands that real growth transcends expansion in size and scale.

Environmental, Social and Governance (ESG) principles have long been at the heart of our business. Our objective is to enhance shareholder value while achieving a positive impact on society and the environment through a responsible investment approach and culture of strong corporate governance. This is our foundation for sustained and balanced long-term growth.

To reaffirm our ESG commitment, we launched our Five-year ESG Roadmap in November 2020 that aligns with the UN's Sustainable Development Goals. The Roadmap sets out a clear vision and targets across our key ESG pillars — "Human Centric", "Property Portfolio" and "Corporate Performance" — and outlines key strategies to achieve better gender equality, enhance workplace safety, reduce energy consumption, make more contributions to the community and increase our community engagement. Group-wide efforts have been made to ensure that these goals can be achieved. We are proud that we have made significant progress in a number of these aspects, which includes receiving outstanding ratings by GRESB and MSCI. For more details, please refer to the Group's ESG Report.

Today, climate change, environmental and sustainability issues are becoming defining factors for the growth and prosperity of businesses and economies. Governments across the globe are making "climate emergency" declarations and committing to go carbon-neutral within certain timeframes. Many governments have announced new investments in green technology and energy while increasing regulations. As a result, we expect developers, end-users and creditors to place greater emphasis on sustainability and environmental considerations in the coming years. At ESR, we are committed to being a positive force in the world and leading the sustainable growth of the industry by leveraging our scale, local presence, and ability to innovate and adapt.

Building and investing for the digital transformation of the future

The pandemic has accelerated and created paradigm shifts towards e-commerce, flexible working patterns and a change in supply chain management from a "just-in-time" to a "just-in-case" inventory approach, all of which are driving positive performance in logistics and industrial real estate. A number of other factors such as the rapid adoption of 5G and the Internet of Things, strong demographic and urbanisation trends, increased investments in infrastructure by governments and foreign direct investors, and an undersupply of modern warehouses in the region are further driving this growth, making the prospects for logistics real estate in Asia Pacific more exciting than ever.

ESR is well-placed to capitalise on this favourable operating environment. Our proven business model and asset-light strategy allow us to grow our platform effectively to achieve a network scale advantage. Our diversified logistics portfolio covers key economies that account for 90% of Asia Pacific's GDP, and we have an unrivalled development pipeline in key metropolitan areas across the region. We foster long-standing relationships with the world's pre-eminent institutional investors and best-in-class tenants. Perhaps most importantly, we offer a great team of dedicated professionals with both local expertise and an international pedigree.

Given this backdrop, ESR entered 2021 in a strong position. Our platform of listed vehicles and private third-party funds, which span across our various markets, strategies and risk-return, will continue to serve as a gateway to new economy infrastructure investments and development. Meanwhile, our state-of-the-art logistics facilities — with a number of landmark projects slated for completion in 2021 and beyond — will carry on supporting our customers in the midst of swift and massive market transformation.

As we cement our leading position in existing markets, we will also proactively continue to explore opportunities in new segments and emerging markets.

As a leading provider of new economy infrastructure, it is also a natural move for the Group to expand into the evolving ecosystem of data centres, a highly complementary asset class that has grown exponentially across the region and around the world due to the rise of cloud solutions and smart technologies as well as the acceleration of e-commerce and fintech. ESR is very well positioned to play an important

71-93 Whiteside Road, Clayton South, Victoria, Australia

ESR Amagasaki Distribution Centre, Japan

part in the development of digital infrastructure in Asia Pacific, and we are working to leverage our existing platform synergies to strategically expand our data centre platform with select capital partners and operators. 2021 will be a big year on this front.

Creating long-term value

We have an unwavering belief in the growth of Asia Pacific as well as the long-term secular shift towards new economy real estate. Through the years, our proven business model, forward-thinking strategy, best-in-class asset portfolio, strong balance sheet and highly professional team have helped us deliver solid growth and sustainable returns across multiple cycles. We will build on our competitive strengths and industry leadership position to tackle changing landscapes and seize the growth opportunities that lie ahead.

ESR remains deeply focused on creating long-term value for its stakeholders. We will keep building best-in-class facilities for our customers in order to support their growth in the new economy. Our investment vehicles will allow our capital partners to tap into the world's best secular growth opportunities.

We will continue to build a strong, inclusive organisation where our people can thrive, protecting their well-being and nurturing their personal as well as career growth. We also pledge to run a responsible, purpose-led business that makes a positive difference to the industry and the communities where we operate.

In appreciation

I would like to extend my sincere gratitude to our Board of Directors for their invaluable support, especially in such complicated times. I also thank Mr Joseph Gagnon and Mr Ho Jeong Lee, who resigned from the ESR Board as Non-executive Directors in 2020, and Mr Zhenhui Wang, who resigned from the Board in January 2021, for their contributions to the Group.

I look forward to working with Mr David Matheson and Mr Wei Hu as they take on new roles as Non-executive Directors. I appreciate the contributions of Co-founder Mr Charles de Portes, who took on a Non-executive Director role with effect from 1 January 2021 in continued support of the Group.

For ensuring the sustained growth of ESR and maintaining our commitment to stakeholders, I offer the Board's heartfelt thanks to our management team, led by Stuart and Jeffrey, and all of our employees for their outstanding commitment and hard work during this critical time. Finally, I take this opportunity to thank all our capital partners, customers and shareholders for supporting us on our journey.

JEFFREY DAVID PERLMAN
Chairman
25 March 2021

Message from CEOs

JINCHU SHEN AND STUART GIBSON
Co-founders & Co-CEOs

The year 2020 was one like no other. It has brought more change than many could have imagined – unprecedented challenges that have impacted lives and livelihoods around the world, but also new opportunities and breakthroughs that are set to transform the future.

In these tumultuous times, logistics infrastructure has become the backbone of society, playing a vital role in keeping the world running and maintaining as "normal" a state of daily life as possible. Once our world emerges from the shadow of the COVID-19 pandemic, it will also be key to supporting the long-term recovery and growth of the global economy, particularly now that we have entered an age defined by digital transformation and e-commerce.

For years, we have been working hard to develop and provide best-in-class modern logistics facilities for our customers and operate an integrated fund management platform for our capital partners. We are very proud that our efforts over the years have resulted in a robust organisation supported by a resilient business model and a versatile professional team, built to withstand challenges and emerge from them even stronger.

As evidenced by the strong FY2020 results we delivered across all business fronts and markets, ESR's unique growth model and strategic approach have proven successful, especially within the context of an extraordinary year.

Outperforming the market as logistics real estate takes centre stage

Growth momentum driven by strong capital raising capability

Our capital management strength continued to fuel platform growth during the year. In terms of total AUM, we hit our US$30 billion target a year ahead of schedule thanks to strong fundraising efforts across multiple markets. Of this total, fund AUM rose 41% to US$27.1 billion.

Our integrated platform of private and public vehicles continued to expand and now includes 34 private third-party investment vehicles and three listed REITs. During the year, we set up seven new private vehicles – in China, Japan, South Korea, Australia and India – and raised a record US$3.5 billion in committed capital, demonstrating the strong support of blue-chip institutional capital partners including APG, AXA, CPP Investments, GIC and Manulife. We have a strong track record of delivering solid performance to our capital partners, and many of these investors collaborate with us in multiple markets and vehicles. On the public front, ESR successfully listed ESR Kendall Square REIT on the Korea Exchange in December 2020, raising US$650 million in new capital. The first publicly listed logistics-focused REIT in South Korea, it received overwhelming response from both international and domestic investors.

We are very proud that our efforts over the years have resulted in a robust organisation supported by a resilient business model and a versatile professional team, built to withstand challenges and emerge from them even stronger.

In the current economic environment, capital is clearly on the move. Trends such as the growth of e-commerce, structural shifts in supply chain management, and rising Asian consumerism driven by changing demographics are leading investors to re-examine their capital allocation and look towards logistics-focused funds. Over the first three quarters of 2020, global transaction volumes for offices, hotels, and bricks-and-mortar retail declined by 36%, 62% and 39%, respectively. By contrast, industrial real estate generated nearly US$100 billion in transaction volume over the same timeframe, more than retail, hotel and senior housing combined[1]. In 2020, logistics deal activity continued to surpass its retail counterpart. In terms of geography, 72% of investors expect their allocation to Asia Pacific to increase over the next two years, far higher than the proportion expecting an increase in allocation to the other regions[2]. Such solid fundamentals in the logistics market will continue to attract investors to participate. We intend to capture this potential by leveraging our strong track record and investor relationships to further drive our capital raising efforts, utilising our asset-light strategy to fuel the growth of our platform.

Portfolio performance and development activities reinforced by customer-led demand

ESR's best-in-class asset portfolio continued to raise the bar for the market in FY2020. Located in key hubs and metropolitan areas throughout Asia Pacific, these modern, institutional-grade facilities not only contribute to our tenants' success, but also increasingly serve as key infrastructure supporting long-term economic growth across geographies.

Notes:
1 Source: Real Capital Analytics (RCA)
2 Source: ANREV/INREV/PREA Investment Intentions Survey 2021

The need for modern logistics space grew in 2020 as the global pandemic further accelerated e-commerce and drove supply chains to adopt just-in-case inventory models. However, with the supply of large-scale institutional-grade logistics space expected to remain tight in the near and medium terms, we expect key metropolitan areas in core markets to continue experiencing strong leasing and development demand, especially from e-commerce-related companies. The limited supply of industrial and logistics land in Tier 1 cities of core markets such as China, Japan and South Korea also remains a challenge, adding pressure to the mid- to long-term supply of logistics stock.

These market dynamics, combined with our unrivalled development and asset management capabilities, enabled us to achieve excellent operational performance in FY2020, including record leasing, development starts and development completions. Our portfolio performance was outstanding: occupancy was 90%; we had a well-staggered WALE of 4.2 years by leased area; we achieved record leasing with 2.3 million sqm of space leased across our portfolio (largely on the back of high demand from e-commerce customers, who accounted for two-thirds of our tenant portfolio); and we achieved 4% rental reversion on renewed leases.

ESR Bucheon Logistics Park, South Korea

During the year we commenced US$3.2 billion worth of developments. Works in progress grew 21% year-on-year to US$4.7 billion. We also saw US$3.4 billion in development completions. Close to US$1 billion in capital was recycled, with net cash recycled back of approximately US$0.7 billion, doubling the Group's annual target of US$400 million to US$500 million in divestments. After factoring in a robust landbank of more than 3.7 million sqm across our entire portfolio, it is clear that we are in a very strong position for further growth.

ESR prides itself on building best-in-class facilities that set new standards for the logistics real estate industry, and in FY2020 the Group finished a number of flagship developments. In July 2020, we completed the ESR Amagasaki Distribution Centre, located in the Greater Osaka metropolitan area. At 388,570 sqm by GFA, it is the largest logistics warehousing project in Asia Pacific[3]. Epitomising the highest-quality specifications as well as the kind of human-centric, sustainable designs for which ESR properties are renowned, the development won the Gold Award in the "Best Infrastructure, Community & Civic Building" category of the MIPIM Asia Awards 2020. In China, ESR Hongmei Logistics Park II, which is strategically located in Dongguan, commenced operations in Q4 2020, introducing a new flagship development with 278,283 sqm in GFA to the country's southern region.

We also have a very strong pipeline of large-scale developments slated for completion in 2021 and beyond. As always, these properties will offer attractive, world-class architecture and high-specification configurations designed with human-centricity and sustainability in mind. They will also include technological innovations that improve our customers' operations and enable them to achieve more efficient, sustainable and safe operations. The ESR Future Solutions Group works across departments to identify and evaluate such technological trends and solutions. We believe that faster rollout of 5G wireless technology across markets will allow even more of these innovations to be implemented.

Increasing sustainability commitments

ESG principles continued to play a key role for the Group during the year under review. Operating at the vanguard of the industry, we are committed to being a responsible corporate citizen and leading by example. We regard ESG as an integral part of our operations and something that should be woven into every facet of our strategic planning.

COVID-19 has magnified the vulnerability of businesses, industries and economies across the globe. The world now increasingly depends on resilient organisations with clear vision and purpose, strong stakeholder relations, and the ability to attract and retain talent – ones that can also function and perform well in the face of market volatility and deliver sustainable returns over the long term. At ESR, we work closely with all our stakeholders, both internal and external, to achieve shared business goals that also align with our core values. Constructive and effective stakeholder engagement is integral to our daily business activities as well as our ability to improve our

3 The largest single-phase, single-asset warehousing project in terms of GFA. Source: CBRE data and ESR research.

ESG performance. One of our core focuses is practising environmental stewardship, which we achieve in part by developing and maintaining sustainable, efficient buildings.

In 2020, the Group was named a "Sector Leader" in Asia by the Global Real Estate Sustainability Benchmark (GRESB) for outstanding performance in ESG. Our Japan and Korea funds delivered particularly exceptional performances. In Japan, we had the highest Development Score within the "Industrial in Asia" category for Non-listed, Value-Added and Opportunistic strategy, scoring 83 points across three funds. Our Korean fund ranked first in overall GRESB Score within "Industrial in Asia", scoring 84 points in addition to achieving the top position for its peer ranking group of "Eastern Asia, Industrial: Distribution Warehouse, Non-listed". Most recently, we received an "A" rating in the MSCI ESG Ratings in recognition of our ESG efforts and performance.

For more details about our ESG initiatives and performance, please refer to the Group's ESG Report.

Our people

Times like these reinforce the fact that people are our most important asset. Our people have been fundamental to the Group's resilience and agility during the pandemic. They are also key to our long-term success and future prosperity.

In FY2020, we continued to invest in, engage and promote the professional and personal well-being of our employees. We carried out our first Group-wide Employee Engagement Survey and Health & Well-being Survey, which received very high participation rates of 89% and 93%, respectively. These surveys have helped us understand our employees' needs and expectations, enabling us to design and implement the right strategy to continue attracting and retaining talent, and ensuring that our employees work in a safe, healthy, supportive and inclusive environment.

As the ESR platform continues to expand, we are increasing our efforts to further enhance and institutionalise the organisation while driving greater cross-function integration and continuous development. A number of promotions and new hires of key senior executives were made during the year. We will continue to build and grow our diverse, professional workforce through recruitment, hiring, retention and talent development.

Looking ahead

In addition to our existing core businesses and markets, we see tremendous opportunities and potential in complementary asset classes and emerging markets, particularly data centres. Most recently, we announced our first foray into the data centre space with the development of a multi-phase data centre campus near Osaka's CBD, Japan. Data storage is at the heart of the global digital transformation, and ESR plans to capitalise on this secular trend by leveraging its in-house capabilities and strategically partnering with operators and capital partners to build agile, scalable data centres in key metropolitan areas across Asia Pacific. Such a network would serve to connect businesses and individuals in the digital economy, support our customers' growth in terms of scale and reach, and create value for ESR's ecosystem of new economy infrastructure.

The logistics real estate industry in Asia Pacific has an abundance of momentum, propelled by a myriad of driving forces. The acceleration of e-commerce, structural changes in supply chain management, rapid urbanisation, and growing economic and consumer power in Asia Pacific are all expected to continue fuelling the industry's growth in the current and post-pandemic macro operating environments, creating favourable conditions for the Group's future growth.

The success we achieved in FY2020, and in previous years, reinforces our convictions in the long-term prospects of Asia Pacific logistics. We look forward to a vibrant future in which we will unveil many more exciting developments. Expanded market and asset portfolios, further collaborations with the world's best investors and brands, impactful ESG initiatives – all of these and more are in the offing as ESR enters its next chapter of growth and long-term value creation for our stakeholders.

Appreciation

It was a most unusual year, and the strong results we achieved would not have been possible without the support of our excellent teams across the region. Special thanks go to our local management teams and to our people at every level for their dedication, perseverance and adaptability, as well as the value they bring to the Group, its customers and investors.

We are grateful as always to our capital partners and customers for their unwavering trust and support. To our Board of Directors, we thank you for your guidance and counsel, which has been invaluable in smooth and rough waters alike. ESR's long-term prospects are bright, and we look forward to working with all of you as we continue to strengthen our leadership position in Asia Pacific logistics real estate, thrive in the transformation of the new economy, and deliver sustainable value for our treasured shareholders and stakeholders.

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

25 March 2021

Board of Directors

Mr Jeffrey David PERLMAN, 37

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 is a Managing Director, Head of Southeast Asia and Asia-Pacific Real Estate and a member of the firm's Executive Management Group at Warburg Pincus. He leads Warburg Pincus' investments in Southeast Asia in addition to the firm's real estate efforts across the greater Asia-Pacific region. Mr. Perlman currently serves as the Chairman of ESR Cayman Limited (1821.HK) and also serves on the Board of Directors for ESR Cayman Limited, ESR Fund Management (ESR REIT), ARA Asset Management Holdings, BW Industrial Development JSC, Gojek, Lodgis Hospitality Holdings, Mofang Apartments, Nova Property Investment, NWP Retail, Trax Technology Solutions, Online Pajak, Momo, Weave Co-Living Cayman Limited, Asia Self Storage, Circles Asia Cayman Limited, and Princeton Digital Group Limited. Prior to joining Warburg Pincus in 2006, he worked in the Real Estate Investment Banking Group at Credit Suisse.

Mr Perlman received a Bachelor's Degree in Business Administration (B.B.A.) from the Ross School of Business at the University of Michigan.

Mr Jinchu SHEN, 48

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. (全球物流資產公司 (中國)) (formerly known as Prologis China) from January 2004 to September 2010, overseeing the Eastern China area. Mr Shen was the deputy director in DTZ Debenham Tie Leung International Property Advisers from June 2001 to December 2003 and prior to this, he was the assistant general manager of marketing at Shanghai Waigaoqiao Free Trade Zone Xin Development Co., Ltd from July 1995 to November 2000. Mr Shen was also a director of ESR-REIT Manager, the fund manager of ESR-REIT, from January 2017 to January 2019.

Mr Shen graduated from the Shanghai Jiaotong University in 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, 57

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, 51

Non-executive Director and Co-founder

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 and was re-designated as a non-executive Director on 1 January 2021.

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 Wei HU, 38

Non-executive Director

Date of first appointment as Director:
2 February 2021

Mr Hu has over 10 years of experience in the warehousing and logistics industries. He also has management experience across different industries and sizable businesses. He joined JD.com, Inc. (together with its subsidiaries, "JD Group") in 2010 and has held several positions in JD Group, including as the Human Resources Director (Southwest Region), the General Manager (Southwest Region) and the General Manager (North China) of JD Logistics. He has served as the Vice President of JD Group and CEO of JD Property since 2019.

Mr Hu graduated from Sichuan Agricultural University with a Bachelor's degree in Land Resource Management.

Mr Brett Harold KRAUSE, 52

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 Zug Switzerland, Barcelona, Beijing, Guangzhou, Moscow, San Francisco, Shanghai, Stockholm and Tokyo. 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. Prior to that from August 1996 until December 2013, he held various leadership roles at Citigroup, where he served as Citi Country Officer for Citibank Vietnam from 2008 to 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), from September 2017 to December 2020.

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

The Right Honourable, Sir Hugo George William SWIRE, KCMG, 61

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 October 2018, Sir Hugo has been the chairman of International Advisory Board at Brennan Partners. Sir Hugo is also the chairman of Imprimatur Capital. Prior to this, he served as non-executive chairman of the British Honey Company Plc which was listed on the Aquis Stock Exchange in London from March 2018 to September 2020. The Company makes a range of alcohol spirits under the Keepr's label and associated honey products. 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, 58

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.

Board of Directors

Ms Jingsheng LIU, 69

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, 51

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 24.

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 25.

Mr Charles Alexander PORTES

Non-executive Director
and Co-founder

Please refer to description under the section on Board of Directors on page 25.

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.

Prior to joining ESR, Mr Cho was the Chief Financial Officer at SATS Ltd. (Stock Code: S58), a company listed on the Singapore Exchange, from July 2013 to November 2016. 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 Josh DAITCH

Group Head of Fund Management & Capital

Mr Josh Daitch joined ESR in 2018 as Senior Managing Director and became the Group Head of Fund Management & Capital in 2020. He brings nearly three decades of real estate investment experience to the Group, having held leadership roles across the private equity and real estate divisions in various financial institutions, including SAJE Capital and Mesirow Financial. Mr Daitch began his career with Goldman Sachs' joint venture with the J.E. Robert Companies and was part of the founding team of Goldman Sachs' subsidiary, the Archon Group, in 1996.

Mr Daitch received his master of business administration degree from Northwestern University's Kellogg School of Management and a bachelor of business administration degree with high distinction from the University of Michigan.

Ms Lilian LEE

Group Chief Corporate Officer

Ms Lilian Lee is the Group Chief Corporate Officer of ESR overseeing the Group's administration, human resources and IT functions. She has over 25 years of experience in the human resources field where she covers the full spectrum of human resources management. Prior to joining ESR, she was the General Manager of Human Resources and Administration of Mapletree Investments Pte. Ltd, while also serving as the Senior Vice President for the company's Group Learning and Development. Ms. Lee has extensive experience in managing sizeable, cross-market teams in various publicly listed companies including SIA Engineering Company and CapitaLand Limited.

Ms Lee graduated from the National University of Singapore with an honours degree in Arts.

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 Sunwoo Thomas NAM

Chief Executive Officer, South Korea Platform

Mr Sunwoo Thomas Nam is the Chief Executive Officer of ESR Kendall Square, 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 ESR Kendall Square, 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 in 2011, he started Prologis Japan with Mr Stuart Gibson in 2000 where he was the Vice President. In 2003, Mr Matsunami joined Mr Stuart Gibson and Mr Charles de Portes when they founded AMB BlackPine (which was subsequently incorporated into Prologis), where he held the position of Senior Vice President. 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.

Other Management Team

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.

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 Jai MIRPURI

Country Head, India Platform

Mr Jai Mirpuri has over 18 years of experience in real estate investment and fund management in Asia, including 13 years of investment and organisation building at ESR (formerly 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.

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.

ESR Goyang Logistics Park, South Korea

Awards & Accolades

Our achievements in the year further cement our leading position in Asia Pacific, and are testimony to our commitment to lead the industry with the highest standards of quality, innovation and capabilities in the development of best-in-class sustainable logistics facilities.

CHARLES ALEXANDER PORTES
Non-executive Director & Co-founder

In 2006, Mr Charles de Portes founded the Redwood group with Mr Stuart Gibson, while e-Shang Group was co-founded between Mr Jinchu Shen and Warburg Pincus in 2011. In 2016, e-Shang and Redwood group completed an all stock merger to form ESR Cayman which has increased its scale across Asia Pacific, enhanced and deepened business relationships with customers and capital partners.

CORPORATE EXCELLENCE

IR Magazine Awards – Greater China 2020
- IR Magazine Choice Award (winner)

2020 Fengqi Wutong Hong Kong Stocks Financial Summit organised by Phoenixnet Finance
- Best Investor Relations – Hong Kong Listed Company

Hermes Creative Awards 2020
- Gold Award

Index Inclusions
- Constituent of FTSE Global Equity Index Series (Large Cap) from 22 June 2020
- Constituent of the MSCI Hong Kong Index from 30 November 2020
- Constituent of Hang Seng Composite Index from 15 March 2021
- Inclusion in Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect programmes from 15 March 2021

CASBEE (Comprehensive Assessment System for Built Environment Efficiency) A
- ESR Amagasaki Distribution Centre, Japan
- ESR Toda Distribution Centre, Japan
- ESR Kawasaki Yako Distribution Centre, Japan (completion year 2021)
- ESR Yokohama Sachiura Distribution Centre 1, Japan (completion year 2022)

ABINC (Association for Business Innovation in harmony with Nature and Community) Certification
- ESR Amagasaki Distribution Centre, Japan
- ESR Yokohama Sachiura Distribution Centre 1, Japan (completion year 2022)

LEED Silver Certification, The U.S. Green Building Council
- Conghua Dexun Logistic Center, China
- ESR Dalian Logistics Park, China
- Everbeauty Reconstruction Project, China
- Gimpo Logistics Park, South Korea
- Wongok Logistics Park, South Korea

SUSTAINABILITY

MSCI ESG Rating Assessment — "A"
- ESR Cayman

GRESB (Global Real Estate Sustainability Benchmark) Developer Assessment (2020)
- ESR Cayman — Sector Leader
- South Korea — Ranked first in the following category: Overall GRESB Score within Industrial in Asia
- South Korea – Ranked first in the following category: Developer, Eastern Asia, Industrial, non-listed
- Japan – Ranked second in the following category: Developer, Eastern Asia, Industrial, non-listed
- Japan – Ranked first in the following category: Development score within Industrial/Asia

19th Rooftop/Wall Greening Technology Contest Organisation for Landscape and Urban Green Infrastructure (2020)
- Chairman's Award, ESR Ichikawa Distribution Centre, Japan

ESR Ichikawa Distribution Centre, Japan

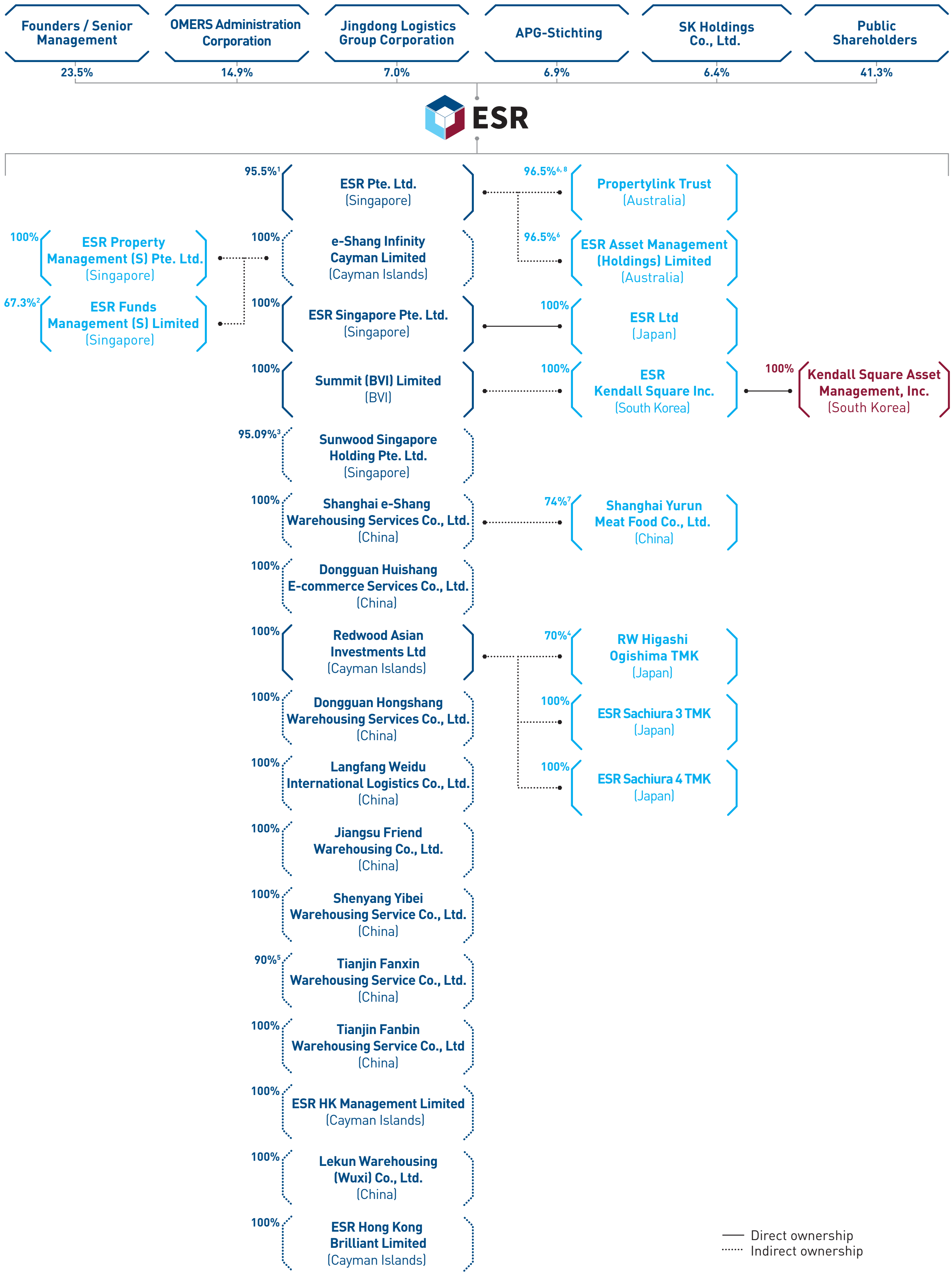
PRODUCT EXCELLENCE

MIPIM Asia Awards 2020
- Gold Award, Best Infrastructure, Community & Civic Building, ESR Amagasaki Distribution Centre

Realty+ Conclave & Excellence Awards 2021, 12th Edition, Exchange4media Group
- Best Industrial Project of the Year, ESR Chakan 1 Industrial & Logistics Park


Everbeauty Reconstruction Project, Songjiang District, Shanghai, China

Corporate Structure



* As at 31 December 2020

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) 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%.

(3) 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.

(4) 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.

(5) 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.

(6) The acquisition of Propertylink was completed on April 24, 2019. Propertylink is wholly-owned by ESR Australia, which in turn is held as to approximately 99.99% equity interest by ESR Australia Holding Company Pte Ltd and as to approximately 0.01% equity interest by Mr. Philip Pearce, a director of ESR Pte. Ltd. (one of our Major Subsidiaries) and other subsidiaries in our Group. ESR Australia Holding Company Pte Ltd is held as to 96.5% equity interest by ESR Pte Ltd, another Major Subsidiary. The remaining 3.5% equity interest in ESR Australia Holding Company Pte. Ltd is held by Skunsh Pty Ltd, as trustee for the McKenna Investment Trust, as to 2.6% and Maxmont Pty Ltd, as trustee for the Lynch-Grant Investment Trust, as to 0.9%, the ultimate beneficial owner of each of these entities is a director of certain subsidiaries of our Group.

(7) 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.

(8) 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

CUSTOMERS

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.

INVESTORS

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.

EMPLOYEES

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.

DEVELOPMENT CYCLE

12 - 24 months

LAND SOURCING

- Comprehensive market research
- Deep local knowledge

DESIGN

- State-of-the-art design
- Modern specifications
- Build-to-suit capability

CONSTRUCTION

- Strict cost & quality control
- Standardised tendering process

LEASING

- Go-to provider for e-commerce & 3PL companies
- Active pre-leasing
- Strong tenant network

STABILISATION

ONGOING ASSET MANAGEMENT

- Professional management
- Dedicated team

CAPITAL RECYCLING

Greenfield/ Brownfield Development Vehicles

- Development funds
- Balance sheet

Exit/Transfer to Acquisition Vehicles

- Core/Core plus funds
- Public REITs

Key Trends To Support Our Growth Strategies

GLOBAL TRENDS

OUR COMPETITIVE STRENGTHS

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

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

FY2020 Year In Review

JANUARY

ESR entered into a strategic partnership with GIC to establish a US$500 million joint venture focusing on the development of institutional grade, state-of-the-art logistics facilities in key cities across China.

Bucheon Logistics Park received Asia Pacific's first Gold Certification from International WELL Building Institute's (IWBI) WELL Building Standard (WELL) – the first in Asia Pacific – for its outstanding achievements in creating a work environment that promotes health and wellness.

ESR Bucheon Logistics Park, South Korea

MARCH

Development plans were announced for ESR Kawasaki Ukishima Distribution Centre, a modern logistics facility to be built on a 32,227 sqm site, to be held under the RJLF III development fund.

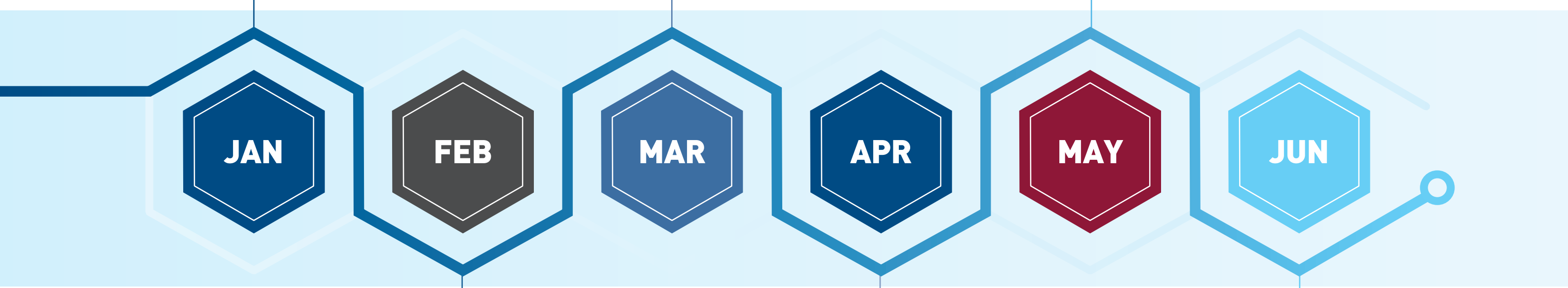
Project rendering of ESR Kawasaki Ukishima Distribution Centre, Japan

ESR secured and fully drew down three-year US$250 million unsecured senior term loan with a club of international banks at a rate of Libor plus 3.00%.

In Australia, ESR launched A$1 billion core-plus ESR Australia Logistics Partnership (EALP), which was anchored by GIC with an initial commitment of A$450 million. EALP was seeded with assets from Propertylink, as part of ESR's capital recycling strategy of disposing balance sheet assets into its own managed funds.

MAY

In India, a mobile application was developed to promote contactless park management and digital execution of service requests. The mobile application serves as source on updates on fumigation and sanitisation, government guidelines, and information on COVID-19 preventive measures from credible sources.



FEBRUARY

In India, a new 76.84-acre logistics park, ESR Sohna, is planned for development. Poised to be one of the largest in the region, it is expected to support last-mile delivery for e-commerce players in Delhi NCR region.

ESR issued S$225 million 5.10% per annum fixed rate notes due 2025 under its US$2 billion Multicurrency Debt Issuance Programme.

ESR announced JPY27 billion investment to develop ESR Yatomi Kisosaki Distribution Centre, a 153,092 sqm four-storey multi-tenant modern logistics facility, which is set to be the largest modern logistics facility in Greater Nagoya, Japan.

Project rendering of ESR Yatomi Kisosaki Distribution Centre, Japan

APRIL

APG, Canada Pension Plan Investment Board (CPP Investments) and ESR established a new US$1 billion development joint venture, ESR-KS II, to invest in and develop a best-in-class industrial and warehouse logistics portfolio in the Seoul and Busan metropolitan areas. ESR-KS II marks APG's fourth development collaboration with ESR and CPP Investments' third joint venture with ESR.

JUNE

ESR launched the A$1 billion ESR Australia Development Partnership (EADP), a new Australia-focused develop-to-hold logistics fund, anchored by GIC as the cornerstone investor. EADP is seeded by two prime land parcels which will be developed into premium logistics assets.

In China, ESR acquired a 100% stake in three prime properties in Jiangsu province which are sited in hubs of China's last-mile logistics networks. One property is fully leased to JD.com, while the construction property in progress is pre-leased to SF Express. The third property is slated for redevelopment.

ESR Xiexin Xuzhou Logistics Park, Xuzhou, China

JULY

Manulife, PGGM and ESR established a new joint venture which completed the acquisition of four institutional-grade logistics properties from RCLF for RMB1.7 billion.

The six-storey ESR Amagasaki Distribution Centre, which spans 388,570 sqm in GFA, was fully completed. A landmark project for the RJLF II fund, ESR Amagasaki DC is the largest domestic consumption warehousing project in Japan and in Asia Pacific[1].


ESR Amagasaki Distribution Centre, Japan

ESR acquired a 79-hectare development site along Cranbourne West, Victoria in South East Melbourne, to be held by EADP, which will be developed into a premium-grade logistics hub.

SEPTEMBER

ESR successfully issued US$350 million 1.50% convertible bonds due 2025 which was substantially oversubscribed by international investors.

Joint venture partners, Frasers Property Industrial and ESR Australia, completed the 11,816 sqm five-storey facility which houses Nissan Australia's new state-of-the-art new headquarters in Wellington Place, Melbourne.

In Japan, leading logistics services company, Nakano Shokai Co., Ltd, signed a new full-building lease agreement for 81,391 sqm at ESR Toda Distribution Centre in the Greater Tokyo region.

GIC increased its stake in EALP to 80%, following the selldown of ESR Australia's stake in line with the strategy outline at the time EALP was established.

NOVEMBER

ESR closed JPY15 billion three-year unsecured senior term loan at JPY Tibor plus 2%, with an upsize option to JPY20 billion in the next 12 months.

In Australia, engineering consultancy Taylor Thomson Whitting (TTW) secured a 1,720 sqm lease for 7.5 years at 73 Miller Street in North Sydney, for the relocation of its head office. The property has recently completed a c.A$60 million capital expenditure programme to reposition it as a A-grade commercial property.

With effect from 30 November, ESR Cayman has been included as a constituent of the MSCI Hong Kong Index.

EALP purchased a portfolio of 11 assets primarily located in Sydney, Melbourne and Brisbane, for A$302.5 million from Propertylink Australian Industrial Partnership II (PAIP II), an ESR-managed partnership.

In Japan, ESR signed a multi-lease agreement with Mitsubishi Fuso Truck and Bus Corporation (MFTBC). MFTBC will expand its operations at ESR Yokohama Sachiura which is halfway into development, thus vacating ESR Higashi Ogishima park which is planned to be redeveloped.

AUGUST

AXA Investment Managers – Real Assets in joint venture with ESR, completed the acquisition of state-of-the-art ESR Kuki Distribution Centre in Greater Tokyo, from RJLF II for JPY39 billion.

ESR announced plans to develop a 36-acre industrial and logistics park in the heart of Chennai's Oragadam industrial belt, which is proposed to be IGBC Gold Rated in build specifications.

In Japan, Daiwa Corporation signed a new lease agreement for 71,736 sqm at ESR Kawasaki Yako Distribution Centre which is scheduled for completion in April 2021.

OCTOBER

EADP acquired an 18-hectare infill redevelopment site in Acacia Ridge, Queensland that is strategically located in an established industrial precinct. The site will be redeveloped into a premium logistics estate.

ESR Ichikawa Distribution Centre has been awarded with the Chairman's Award of the 19th Rooftop/Wall Greening Technology Contest by the Organisation for Landscape and Urban Green Infrastructure.

DECEMBER

ESR has been recognised and named a Sector Leader in Asia by Global Real Estate Sustainability Benchmark (GRESB) for the 2020 rankings.

GIC and ESR entered into an 80:20 strategic partnership and established a US$750 million joint venture to invest in industrial and logistics real estate in India.

ESR successfully listed ESR Kendall Square REIT (stock code: 365550) on the KRX KOSPI Market of the Korea Exchange, raising US$650 million through pre-IPO investments and the global offering.

Project rendering of ESR Higashi Ogishima Distribution Centre, Japan

At ESR Higashi Ogishima Distribution Centre, ESR has collaborated with VRCO to design and demonstrate the world's first cargo drone logistics facility.

The nine-storey 365,386 sqm development which commenced construction in December 2020, is expected to be one of Japan's tallest distribution centres, and is scheduled for completion in 2023.

Note:

1 The largest single-phase, single-asset logistics warehousing project in terms of GFA, as of July 2020. Sources: CBRE data and ESR research

Operations Review
At a Glance

FY2020 KEY HIGHLIGHTS

Total AUM rose 35.3% to US$29.9 billion[1]

Strong leasing momentum with 2.3 million sqm leased across portfolio

Healthy rental reversion of 4% on renewed leases[2]

US$29.9 billion[1]
Assets under management

20.1 million sqm
GFA in operation and under development[5]

c.7.2 million sqm
GFA of development pipeline with MOUs[6]

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[3].

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. In addition, during FY2020 we have established an on the ground team in Indonesia to prepare our entry into the logistics market with a focus on Greater Jakarta.

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 3.7 billion people and over US$28.9 trillion of GDP[4]. 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

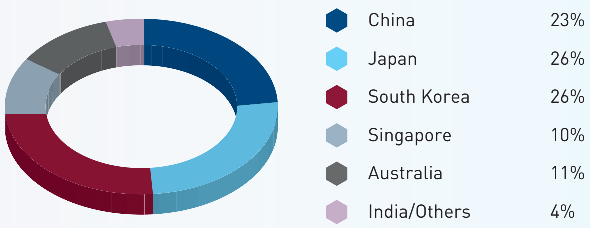
ESR has over 20.1 million sqm GFA in operation and under development[5], and a further c. 7.2 million sqm GFA of development pipeline with MOUs[6] signed across our portfolio with a high-quality tenant base. In China, we are the #1 e-commerce landlord[7], #1 in development pipeline[8] and overall #2 player[9], In South Korea, we remain the largest owner of logistics properties with the largest development pipeline in the Seoul Metropolitan Area[10]. We have a significant presence and the largest development pipeline in Greater Tokyo and Greater Osaka[10]. In Singapore, we are the largest industrial REIT outside of Temasek linked entities with a platform of 75 properties across two REIT platforms. In Australia, on the back of the privatisation of Propertylink Group in 2019, we have launched two new flagship private investment vehicles and are aiming to significantly grow that business. In India, we manage two joint ventures for the development of logistics and industrial facilities, holding approximately US$1.2 billion in assets under management as at 31 December 2020. 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.

Notes:
1. As at 31 December 2020.
2. Based on stabilised assets on balance sheet.
3. Based on GFA from 1 July 2019 to 31 December 2020.
4. Source: Oxford Economics, June 2020.
5. Consisting of approximately 11.8 million sqm of GFA of completed properties, approximately 4.6 million sqm of GFA of properties under construction and approximately 3.7 million sqm of GFA to be built on land held for future development as at 31 December 2020.
6. MOUs as at 31 January 2021.
7. In terms of proportion of total area occupied in China in comparison to only as at September 2017 when GLP was privatised.
8. In Greater Shanghai, Greater Beijing and Great Guangzhou from 2020 to 2021.
9. As of 4Q 2019, Greater Shanghai, Greater Beijing and Great Guangzhou as measured by GFA.
10. From 2019 to 2020 as measured by GFA.

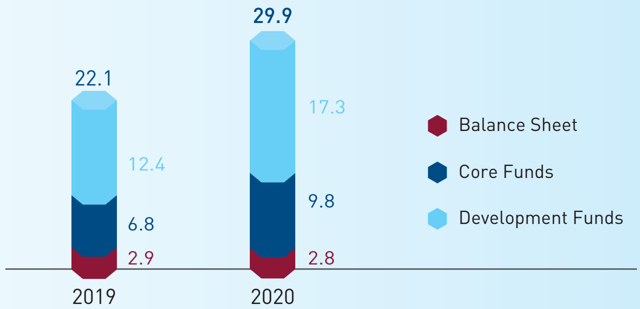
For FY2020, we recorded a strong growth of 35.3% in assets under management (AUM) to US$29.9 billion as at 31 December 2020, underpinned by strong valuation gains, development completions and acquisitions across the platform, as well as a record year of fundraising with over US$3.5 billion of new capital commitments raised across the Group. With our growing and extensive reach across Asia Pacific, we are well-positioned to support our tenants in their regional expansion plans.

In FY2020, we continued to see strong leasing demand. A record 2.3 million sqm of space was leased across our portfolio, an increase of 15% over last year's prior record, representing approximately 11% of the portfolio GFA. A healthy rental reversion of 4%[2] on renewed leases was also achieved in FY2020.

Assets Under Management
As at 31 December 2020



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



OUR THREE PILLARS OF BUSINESS

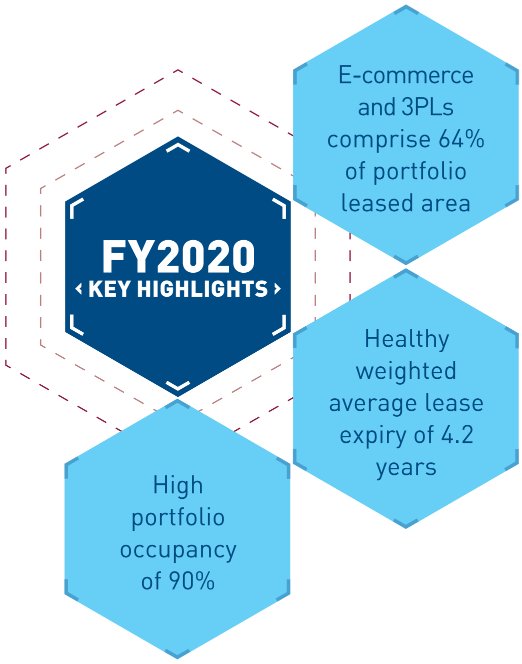
ESR uses capital to acquire land and finance the development of logistics properties. The capital comes either from our balance sheet or the funds and investment vehicles that we manage alongside our institutional capital partners.

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 our portion of the sales proceeds to develop new projects. Based on our products and services, we have three reportable operating segments: development, fund management and investment.

KEY DRIVERS OF OUR THREE PILLARS OF BUSINESS

	INVESTMENT	FUND MANAGEMENT	DEVELOPMENT
INCOME	• **Completed properties on balance sheet** — Rental income + revaluation gains on non-development properties • **Fund co-investments** — Pro rata 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 profits** • **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 √ Strong leasing activity √ 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 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. 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. 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$2.8 billion, accounting for approximately 9% of total AUM of across the portfolio as at 31 December 2020.

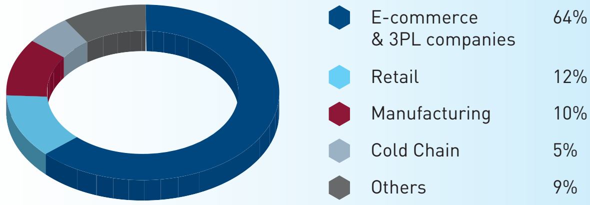
Refer to "Property Portfolio" on pages 68 to 70 for information on the assets.


ESR Jiangsu Friend — III Logistics Park, Kunshan, China

A FOCUS ON E-COMMERCE COMPANIES

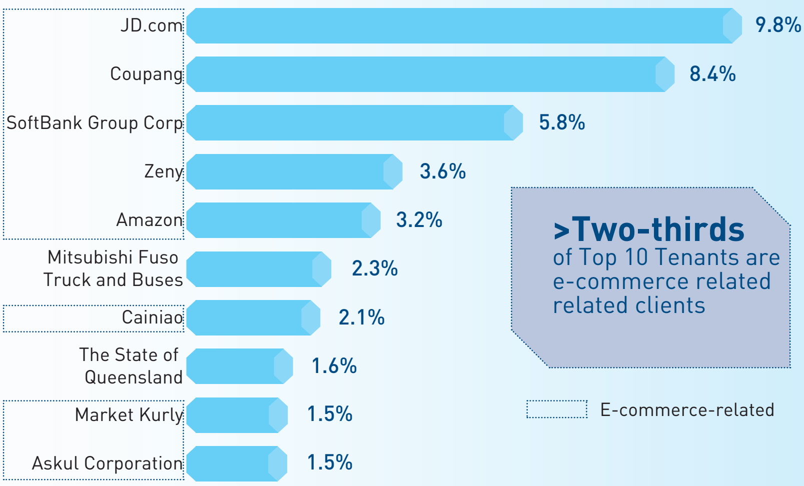
We lease the logistics facilities owned directly by us or by the funds that we manage to a broad range of large and mid-sized, multinational and domestic tenants including e-commerce companies, 3PL providers, brick-and-mortar retailers, manufacturers, cold-chain logistics providers and others. The majority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

Portfolio End-User Industry by Income[11]
FY2020



Collectively, our top 10 tenants accounted for approximately 40% of the FY2020 income[11] and 39% of leased area[11]. Amongst our top 10 tenants, more than two-thirds of the income was contributed by e-commerce related companies.

Portfolio Top 10 Tenants by Income[11]
FY2020

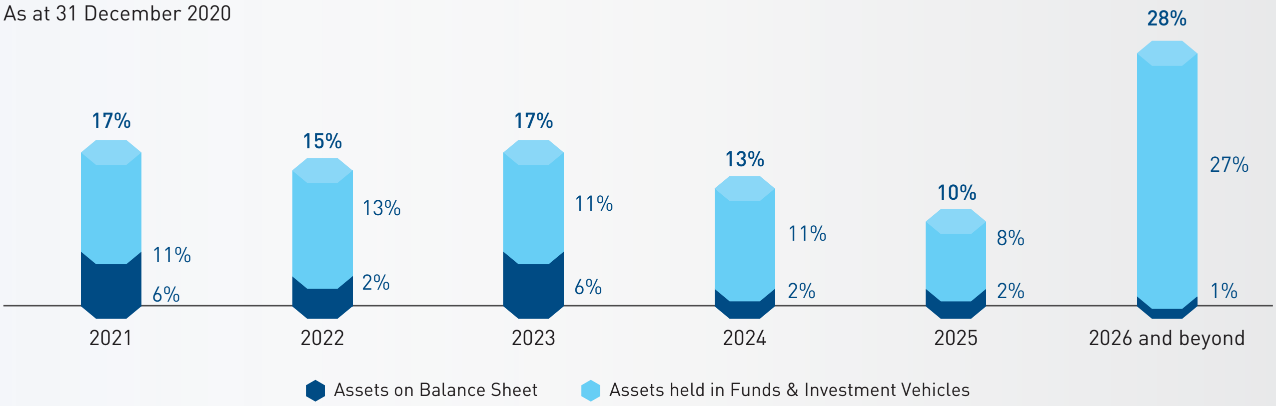


WELL-SPREAD LEASE EXPIRY PROFILE

Our portfolio enjoys stability from its well-spread lease profile, with a weighted average lease expiry ("WALE") of about 4.2 years by leased area and 3.5 years by income as at 31 December 2020. With healthy occupancies across our portfolio, we will continue to focus on maintaining steady occupancies. As at 31 December 2020, the Group maintained a healthily occupancy rate of 90%[2] across its portfolio.

Lease Expiry Profile By Leased Area

As at 31 December 2020



	Assets held on Balance Sheet	Assets held in Funds & Investment Vehicles	Portfolio
WALE (by leased area)	2.2 years	4.6 years	4.2 years
WALE (by income)	2.1 years	3.7 years	3.5 years

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

Operations Review

Fund Management Segment

Fund AUM increased by 41% to US$27.1 billion

13.5% growth in fund management fee to US$189 million

FY2020
KEY HIGHLIGHTS

Close to US$1 billion of capital recycled from balance sheet

US$3.7 billion of uncalled capital to be deployed

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 after we have returned our investors' initial capital investment and upon exceeding a predetermined target internal rate of return. 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.

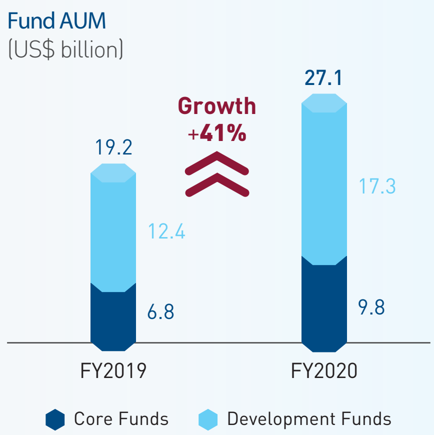
Our management platform offers a variety of products across the spectrum of both risk and liquidity to attract broad sections of the global investor universe, gives us the ability to manage the underlying assets across the development cycle and provides us with an efficient platform for recycling our 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.

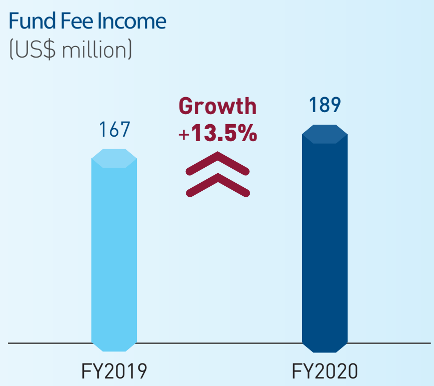
We continuously enhance our portfolio and risk management processes to strive to meet our return objectives while mitigating risk at both the underlying asset and the fund level.

Through our fund management platform, as at 31 December 2020, we manage 34 private third-party investment vehicles across Asia Pacific and 3 publicly listed REITs in both Singapore and Korea. Supported by strong fundraising efforts across multiple markets, the Group's Fund AUM grew 41% to US$27.1 billion. In FY2020, we raised US$3.5 billion in committed capital across seven new funds, demonstrating strong support from our pool of blue-chip capital partners. As of 31 December 2020, there was over US$3.7 billion worth of committed but uncalled capital in ESR's third-party funds.

In addition, we launched the first dedicated logistics REIT in Korea on 23 December 2020 by raising approximately US$650 million in the initial public offering.

122 Newton Road, Wetherill Park, New South Wales, Australia





During FY2020, we have established the following third-party private investment vehicles:

Country	Category	Vehicle Type	Equity raised (US$ million)
China	Core	Multi asset mandate	265
	Development	Multi asset mandate	500
South Korea	Development	Fund	1,000
	Core	REIT	NA
Japan	Development	Single asset mandate	264
Australia	Core Plus	Fund	456
	Development	Fund	759
India	Development	Fund	300
		Total	3,544

CASE STUDY

In FY2020, ESR launched two new funds in Australia, raising a total of US$1.2 billion in equity commitments.

The Group launched ESR Australia Logistics Partnership ("EALP") a new, core-plus logistics partnership. The launch of EALP represents a major milestone in the execution of the Australian strategy, marking the completion of the recycling of balance sheet assets from our strategic Propertylink acquisition into ESR's managed funds. In September 2020, cornerstone investor GIC increased its investment in EALP from 45% to 80%. In November 2020, EALP's gross assets increased to over A$1 billion following the purchase of a portfolio of 11 assets from Propertylink Australian Industrial Partnership II (PAIP II). To date, EALP's portfolio comprises 36 properties with GFA of over 500,000 sqm.

A new develop-to-hold logistics fund, ESR Australia Development Partnership ("EADP") was launched with GIC as the cornerstone investor. EADP was seeded with two prime land parcels within the Sydney metropolitan area which will be developed into premium logistics assets. Since its inception, the fund has purchased a 79-hectare development site in South East Melbourne and an 18-hectare development site in the prime industrial precinct of Acacia Ridge, Queensland.

Operations Review

Development Segment

New development starts of US$3.2 billion

Development completions of US$3.4 billion

FY2020 KEY HIGHLIGHTS

Landbank of over 3.7 million sqm across protfolio

Development work in progress ("WIP") of US$4.7 billion

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 includes selection and acquisition of sites to the design, construction and leasing of modern logistics facilities. These facilities are characterised by several attributes that differentiate modern logistics (greatly preferred by today's e-commerce tenants) from the existing installed base of traditional warehouse:

- Optimal space utilisation: Large floor plates, high ceilings and wide column spacing.
- High floor load capacity: to support the increased weight of taller racking and automation equipment.
- 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 Fund Management (attributed to the Fund 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.

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

ESR continues to leverage third-party capital to fund developments and exercise a disciplined asset light approach to achieve our targeted development completions.

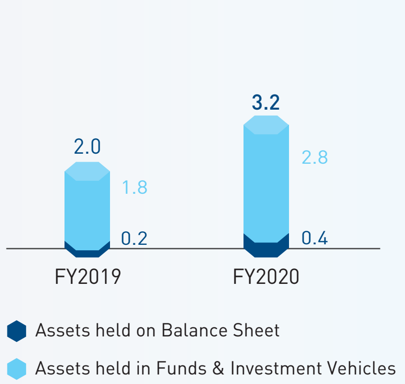
In FY2020, the total estimated investment value of new development starts totalled US$3.2 billion, representing 2.8 million sqm across our portfolio, and primarily in China, Japan, South Korea and India.

Strong customer demand, particularly from e-commerce related customers, has translated to a strong growth in development work in progress ("WIP") of US$4.7 billion in FY2020, as the Group's current developments focus on higher-value projects with increased scale and higher quality.

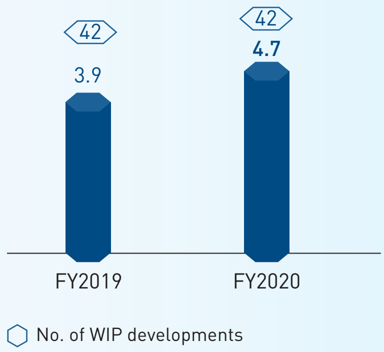
The total investment value of our development completions in FY2020 was US$3.4 billion, representing 2.1 million sqm across our portfolio, and were largely in China, South Korea and Japan.

We have also assembled a robust development pipeline of 15.5 million sqm including a strong landbank of more than 3.7 million sqm to expand our portfolio moving forward, and leverage on the strong customer demand for logistics facilities.

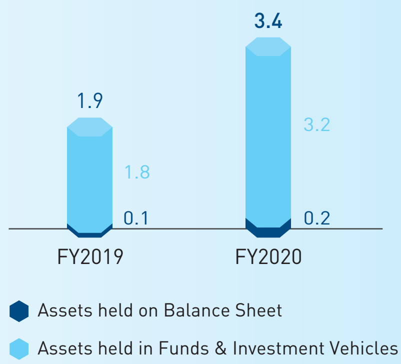
Development Starts
Estimated Total Cost (US$ billion)



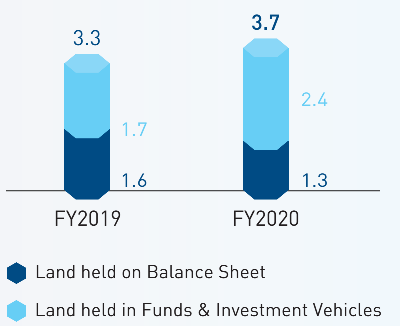
Work In Progress
Estimated Total Cost (US$ billion)



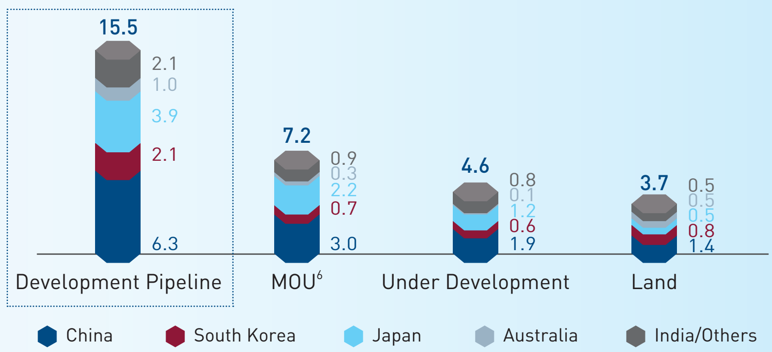
Development Completions
Completion Fair Value (US$ billion)



Land Bank
GFA (million sqm)



Development Pipeline
GFA (million sqm)



ESR Higashi Ogishima Distribution Centre

ESR commenced the construction of the first phase of ESR Higashi Ogishima Distribution Centre in end-2020. Located in the Greater Tokyo Metropolitan Area and in close proximity to Haneda Airport and Tokyo 23 wards, the 365,385 sqm nine-storey, double-ramped facility is set to be one of Japan's tallest distribution centres. It will also be the first cargo drone logistics facility in the world.

ESR Higashi Ogishima Distribution Centre, Japan

ESR Dongguan Hongmei Logistics Park II

In Dongguan, China, ESR Hongmei Logistics Park II, a new flagship development, commenced operations in the fourth quarter of 2020. The development is strategically located in the rapidly growing logistics market of Dongguan, which sits between Guangzhou and Shenzhen, which serves and reinforces the two Tier I cities at the same time. Tenants include SF Express and fast-growing homegrown fresh food e-commerce retailers including Dingdong MaiCai.

278,283 sqm
Total GFA

ESR Dongguan Hongmei Logistics Park, Dongguan, China

ESR Kendall Square REIT

ESR raised US$650 million from the initial public offering of South Korea's first dedicated logistics REIT on 23 December 2020, which received broad support from global institutional investors and domestic investors. The initial portfolio, valued at US$1.3 billion, comprise 11 assets which are largely located in Greater Seoul Metropolitan Area, which were sold down from two of ESR's private real estate funds.

ESR Bucheon Cold Logistics Park & ESR Bucheon Logistics Park, South Korea

ESR Amagasaki Distribution Centre

ESR completed the largest single phase, single asset logistics warehouse project in Asia Pacific in July 2020. The development, which is strategically located in the Greater Osaka Area, is a landmark project for ESR's RJLF II Japan development fund. The facility has implemented ESR's Human Centric design which includes a day care centre for children, a private lounge, retail and communal amenities and an open space for onsite workers.

388,570 sqm
State of the art logistics facility

CASBEE CLASS A
certification

MIPIM Asia Award (Gold)
Best Infrastructure, Community & Civic Building (2020)

ESR Amagasaki Distribution Centre, Japan

Financial Review

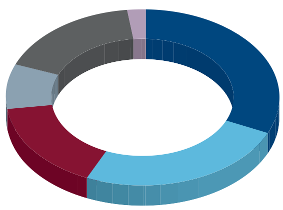
The Group has continued a strong momentum of growth through the year and achieved year-on-year growths from strong performance across investment, fund management and development segments for the year ended 31 December 2020, with robust cash position and balance sheet strength remained profitable and well capitalised with robust balance sheet, strong liquidity and improved gearing ratio.

Key financial highlights:

- Revenue increased by 8.7% from US$357.4 million in FY2019 to US$388.3 million in FY2020
- EBITDA increased by 4.0% from US$549.1 million in FY2019 to US$571.2 million in FY2020
- PATMI increased by 16.8% from US$245.2 million in FY2019 to US$286.5 million in FY2020
- Profit for the year increased by 13.0% from US$278.4 million in FY2019 to US$314.7 million in FY2020
- Healthy cash balance at US$1.5 billion as at 31 December 2020
- Low net gearing ratio of 23.2% as at 31 December 2020

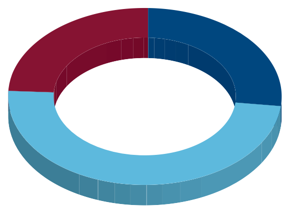
REVENUE*

FY2020 Revenue by Country



* Excludes construction revenue.

FY2020 Revenue by Segment



The Group's revenue increased by 8.7% from US$357.4 million in FY2019 to US$388.3 million in FY2020, contributed mainly by higher management fee and construction revenue.

Management fee increased by 13.5% from US$166.7 million in FY2019 to US$189.3 million in FY2020, contributed by AUM growth from new funds across the Group's platforms, recurring income base growth; as well as full year effects from consolidation of Propertylink Group acquired from March 2019.

Rental income decreased by 14.1% from US$118.0 million in FY2019 to US$101.4 million in FY2020. This was contributed by the deconsolidation of portfolio of balance sheet assets in Australia (assets from Propertylink Group acquisition) upon disposal to ESR Australia Logistics Partnership ("EALP"), a new core-plus fund joint venture in June 2020, in line with the Group's capital recycling strategy.

Geographically, revenue from Australia made up to 36.4% of the Group's revenue. Excluding construction revenue, revenue from Australia made up of 16.6% of the Group's revenue. In September 2020, ESR Australia disposed of the construction arm through a management buyout which enables Australia to focus on logistics development and management. China, Japan and South Korea markets accounted for 73.4% of the Group's revenue (ex-construction). These four markets collectively made up of 90.0% of the Group's revenue. Singapore and India made up of the remaining 10.0%.

PATMI AND EBITDA

The Group achieved a record high PATMI of US$286.5 million and EBITDA of US$571.2 million for the year ended 31 December 2020. PATMI and EBITDA grew by 16.8% and 4.0% respectively. Profit for the year increased by 13.0% from US$278.4 million in FY2019 to US$314.7 million in FY2020.

The increase was mainly driven by strong performance across existing platforms, newly established funds and joint ventures, disposal gain realized from recycling of balance sheet assets such as Higashi Ogishima Site A to minority-held investment, as well as reduced borrowing costs.

The Group recognised share of profits from joint ventures and associates of US$105.1 million for FY2020, an increase of US$11.7 million from US$93.4 million in FY2019. The increase was mainly contributed from newly established joint venture in China, growth in joint venture in India as well as the Group's South Korea joint venture from the successful listing of ESR Kendall Square REIT on the KRX KOSPI Market of the Korea Exchange in December 2020.

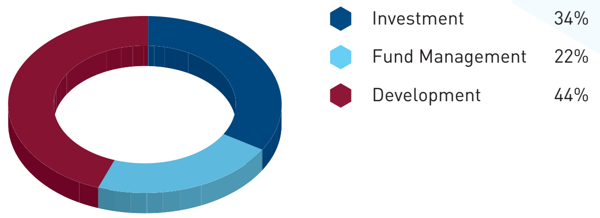
In FY2020, the Group disposed of one of its Japan balance sheet assets, Higashi Ogishima Site A to RJLF III where the Group holds approximately 14.3%. The Group recorded a gross gain on disposal of investment property of US$19.4 million (JPY2 billion) from the sale and will receive development fees and recurring fees through managing the fund. The site will be developed as the first phase of ESR Higashi Ogishima park. Featuring the first ever 9-storey warehouse design in Japan as well as advanced sustainability solutions ESR Higashi Ogishima park will set a new benchmark for distribution centre design where optimal integration into the urban fabric and lower environmental impact are achieved without sacrificing building functionality and high-throughput. E-commerce and 3PLs choosing to operate at ESR Higashi Ogishima will enjoy close proximity to Haneda Airport and Tokyo 23 wards as well as a supportive ecosystem with co-location of ancillary services including children's day-care facilities of ESR partner BARNKLÜBB™.

Finance costs had decreased significantly by US$33.0 million or 18.3% from US$180.4 million in FY2019 to US$147.4 million in FY2020. This was primarily attributable to lower borrowing costs with tightening of spreads in new corporate borrowings; and full repayments of redeemable convertible preference shares and Hana Notes in November 2019. The reduction was partially offset by additional finance costs from additional borrowings by the Company.

Administrative expenses increased by US$3.3 million or 1.6% from US$198.4 million in FY2019 to US$201.7 million in FY2020 primarily due to higher staff related costs arising from full year consolidation of Propertylink Group and increased manpower to support growth and expansion of the Group. The increase was offset by lower professional fees as higher non-recurring professional fees were incurred in FY2019 mainly for the Company's listing on The Stock Exchange of Hong Kong Limited and acquisition of Propertylink Group.

SEGMENT RESULTS

FY2020 Segmental Results (EBITDA)



Investment segment results decreased by US$30.1 million from US$256.1 million in FY2019 to US$225.9 million in FY2020. The decrease is mainly due to lower rental income following the deconsolidation of a portfolio of balance sheet assets in Australia upon disposal to EALP; as well as lower fair value gain.

Fund management segment results increased by US$15.8 million from US$131.8 million in FY2019 to US$147.6 million in FY2020. The increase was driven by AUM growth from new funds across the Group's platforms, recurring income base growth; as well as full year effect from consolidation of Propertylink Group. Operating expenses increase mainly from increased staff strength to support growth.

Financial Review

Development segment results increased by US$44.4 million from US$244.8 million in FY2019 to US$289.2 million in FY2020. The increase is attributable to:

- Fair value from investment properties under construction increased by US$13.4 million mainly from newly acquired assets and ongoing development such as ESR Shanghai Qingpu Yurun in China
- Share of profits and losses of joint ventures and associates increased by US$5.3 million from US$59.7 million in FY2019 to US$65.0 million in FY2020 contributed by increase in fair value of assets held by the Group's joint ventures
- Gain on disposal of investment properties amounted to US$19.4 million, in relation to disposal of Higashi Ogishima Site A; and a gain on sale of development management rights of US$12.3 million in Australia to one of the Group's joint ventures

The above increase in development segment result was partially offset by lower gain on disposal of subsidiaries in FY2020 of US$5.4 million compared to FY2019 of US$16.5 million. During the year, six balance sheet properties in China were disposed of to a newly established development joint venture with GIC, in line with the Group's asset recycling strategy. In FY2019, seven balance sheet properties in China were disposed to NCI Core Fund.

ASSETS

The Group reported a well-capitalised balance sheet and ended 2020 with US$1.5 billion in cash, and improved net debt over total assets of 23.2% allowing substantial headroom to capture future acquisition and investment opportunities.

Total assets as at 31 December 2020 were US$7.7 billion (2019: US$6.4 billion) comprised mainly investment properties, investment in joint ventures and an associate, investment in funds (classified as financial assets at fair value through profit or loss), investment in listed securities (classified as financial assets at fair value through other comprehensive income) and cash balances.

Investment properties decreased by 4.4% to US$2.7 billion (2019: US$2.8 billion) as at 31 December 2020. This was mainly due to disposal of China balance sheet properties to a newly established development joint venture with GIC, deconsolidation of assets disposed to EALP and EDF in Australia, as well as disposal of Higashi Ogishima Site A in Japan. The Group continues to hold minority stake in these new joint ventures. The decrease was partially offset with new acquisitions of properties in China.

Investment in joint ventures and an associate, increased by 55.1% to US$1.1 billion (2019: US$698.0 million) as at 31 December 2020 contributed by the Group's re-investments into the above new joint ventures in China and Australia, in addition to higher share of results from existing joint ventures in South Korea.

Investment in funds increased by 15.2% to US$678.9 million (2019: US$589.4 million) as at 31 December 2020, in line with establishment of new funds, and revaluation gains on investment properties held by the funds.

Investment in listed securities increased by 61.8% to US$878.3 million (2019: US$542.9 million), which was mainly due to (i) listing of ESR Kendall Square REIT on the KRX KOSPI Market of the Korea Exchange in December 2020, of which the Group acts as REIT Manager and holds 9.9% interest in ESR Kendall Square REIT; (ii) increase in holding of the Group's existing investments; and (iii) mark-to-market fair value gains.

LIABILITIES

Total bank and other borrowings as at 31 December 2020 were US$3.3 billion compared to US$2.6 billion at end of 2019. With cash balance of US$1.5 billion, the net debt to total assets ratio as at 31 December 2020 was 23.2% (2019: 26.6%). Additional borrowings were drawn mainly to fund the Group's investments and ongoing developments.

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

- In February 2020, issued S$225 million (approximately US$167 million) five-year fixed rate notes bearing 5.10% interest per annum, pursuant to its US$2.0 billion Multicurrency Debt Issuance Programme

- In March 2020, drawdown of US$250 million three-year unsecured senior term loan facility at Libor plus 3.00%

- In September 2020, issued US$350 million five-year convertible bond at 1.50% per annum

- In November 2020, drawdown of JPY15 billion (approximately US$143 million) three-year unsecured senior term loan facility with an upsize option to JPY20 billion in the next 12 months, at JPY Tibor plus 2.00%

TOTAL EQUITY

Total equity has increased from US$3.3 billion as at 31 December 2019 to US$3.8 billion as at 31 December 2020, primarily due to profits of US$314.7 million generated in FY2020, US$48.5 million equity components of convertible bonds pursuant to issuance of US$350 million convertible bond in September 2020, exchange difference of US$244.3 million contributed mainly from translation of the Group's China, Japan and South Korea operations arising from strengthening of Renminbi, Japanese Yen and South Korean Won against US dollars, as well as fair value gains of US$84.1 million from Group's investments in listed securities that are classified as financial assets at fair value through other comprehensive income.

Capital Management

ESR adopts a proactive and disciplined capital management approach, and regularly review its debt maturity profile and liquidity position. The Group maintains a well-capitalised balance sheet, and actively diversifies its funding sources through a combination of facilities with both local and international banks, and capital market issuances in optimising its costs of debt. ESR continues to be disciplined in executing its capital recycling programme, and prudently redeploying capital to support growth. In FY2020, close to US$1 billion of capital was recycled, with net cash recycled back of approximately US$0.7 billion.

The Group's total borrowings as at 31 December 2020 were US$3.3 billion. With a cash balance of US$1.5 billion, the net debt to total assets as at 31 December 2020 was 23.2% allowing substantial headroom to capture future acquisitions and investment opportunities.

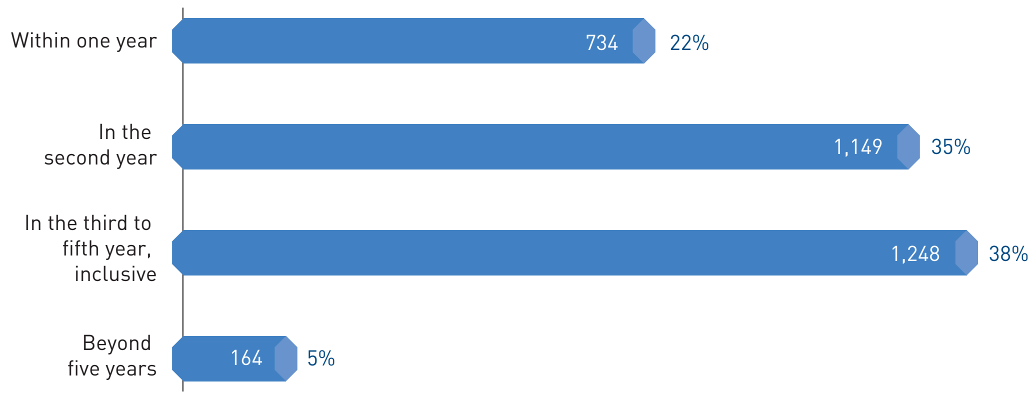
In FY2020, the Group continues to diversify its funding sources and capital structure with the new issues of S$225 million (approximately US$167 million) five-year fixed rate notes at 5.1% interest per annum and US$350 million convertible bonds at 1.5% per annum from capital market. It also secured and fully drawn down a US$250 million three-year unsecured senior term loan at Libor plus 3.0% with a club of international banks in March 2020. Subsequently in November 2020, it closed JPY15 billion (approximately US$143 million) three-year unsecured senior term loan at JPY Tibor plus 2.0%, with an upsize option to JPY20 billion in the next 12 months.

With these financing, the Group has demonstrated its clear ability to reduce its weighted average interest cost from 5.0% at end December 2019 to 4.6% at end December 2020. Post December 2020, ESR issued S$200 million (approximately US$150 million) of perpetual resettable step-up subordinated securities with a distribution rate of 5.65% per annum on 2 March 2021, with the first call date on 2 March 2026, pursuant to its US$2.0 billion Multicurrency Debt Issuance Programme.

The Group monitors its debt maturity profile regularly. It also ensures sufficient cash reserves are maintained and disciplined in refinancing existing borrowings to meet the Group's short-term obligations, ongoing developments, and investments opportunities. As at 31 December 2020, the Group's weighted average debt maturity is approximately 3 years.

The Group manages its interest rates exposure by maintaining a combination of fixed and floating rate borrowings. As at 31 December 2020, the fixed rate borrowing made up of 39% of the portfolio and balance of 61% on floating rate basis. In managing the interest rate profile, the Group considers interest rate outlook and holding periods of its investment profile. The Group's weighted average interest rate was 4.6% at end-December 2020.

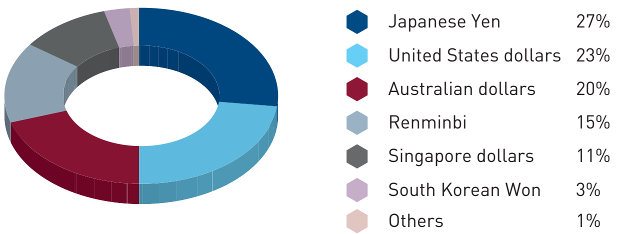
Debt maturity profile of borrowings:
As at 31 December 2020 (US$ million)



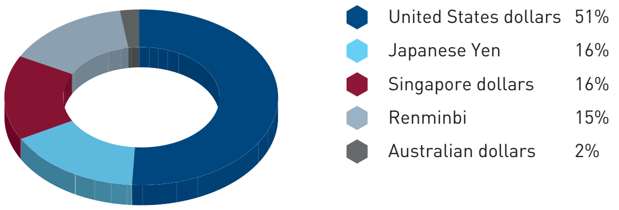
The Group has exposures to foreign exchange rate fluctuations from subsidiaries, associates and joint ventures from China, Japan, South Korea, Australia, Singapore and India. The Group manages its foreign currency exposures via natural hedges at both projects and corporate levels. Operating and development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

As at 31 December 2020, 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 2020



Bank and Other Borrowings
As at 31 December 2020



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 2020, 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 25 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 2020, neither the Group nor the Company had any significant contingent liabilities.

Investor Relations & Corporate Communications

PROACTIVE COMMUNICATION WITH SHAREHOLDERS

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.

In 2020, ESR's senior management and IR team actively engaged with shareholders and the investment community throughout Asia Pacific, Europe and United States through virtual conferences and meetings. In June 2020, ESR's first Annual General Meeting was held virtually and limited to a smaller capacity in its physical meeting in Hong Kong during the height of the pandemic. Attended by all the ESR's Board of Directors and senior management, the AGM provided virtual interaction with shareholders.

AWARDS AND RECOGNITIONS

During the year, in recognition of outstanding efforts, ESR was accorded the "Best Investor Relations — Hong Kong Listed Company" award in the 2020 Fengqi Wutong Hong Kong Stocks Financial Summit organised by Phoenixnet Finance. ESR's inaugural FY2019 annual report also achieved the "Gold Award" in the international Hermes Creative Awards 2020, and the IR department head was awarded "IR Magazine Choice Award — Winner" for the prestigious IR Magazine Greater China Awards 2020.

INCLUSION IN KEY INDICES

In 2020, ESR was included as a constituent of the MSCI Hong Kong Index as of 30 November, and a constituent of the FTSE Global Equity Index Series (Large Cap) since 22 June. With effect from 15 March 2021, ESR has been a constituent of the Hang Seng Composite Index, and was included in the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect programmes.

ESR remains committed to upholding high standards of disclosure and transparency. To help investors and shareholders 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. ESR continues to actively engage investors through its the Annual General Meeting (AGM), interim and full-year results briefings, post results luncheons, conferences, meetings and site visits, which enable us to gain a better understanding of investors' concerns and market perceptions through these engagements and dialogues.

RESEARCH ANALYST COVERAGE:

As at 31 December 2020, we grew the number of sell-side research coverage to 11 houses, mainly from:

- China International Capital Corporation
- CITIC Securities
- Citigroup Global Markets
- Credit Suisse
- DBS Vickers
- Deutsche Bank
- Goldman Sachs
- Hua Chuang Securities Co., Ltd
- Morgan Stanley Research
- UBS
- UOB Kay Hian

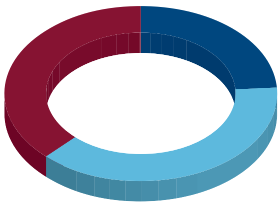
FINANCIAL CALENDAR

Results announcement for the financial year ended 31 December 2020	26 March 2021
Annual General Meeting	2 June 2021
Interim results announcement for the half-year ending 30 June 2020	August 2020

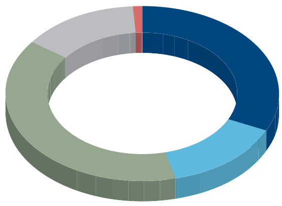
FY2020 INVESTOR RELATIONS CALENDAR

Goldman Sachs Greater China Corporate Day, Hong Kong	6 January
Non-deal Roadshow for Fixed Income Investors, Hong Kong	7 January
DBS Vickers Pulse of Asia Conference, Hong Kong	8 January
Post FY2019 Results Non-deal Roadshow	23–27 March
Morgan Stanley Non-deal Roadshow	23–24 April
Credit Suisse 2020 HK/China Property Virtual Corporate Day	17 June
Citi Asia Pacific Property Conference 2020	23 June
Credit Suisse Non-deal Roadshow	16 July
Morgan Stanley Non-deal Roadshow	20–21 July
Goldman Sachs China Conference	5 November
Morgan Stanley Asia Pacific Summit	18 November
Credit Agricole ESG Non-deal Roadshow	26–27 November

Shareholding base by investor type
As at 31 December 2020



Shareholding base by geographical distribution
As at 31 December 2020



SHAREHOLDING AS AT 31 DECEMBER 2020

Size of Registered Shareholding	No. of shareholders	% of shareholders	No. of shares	% of issued share capital
500 or below	58	53.704	13,210	0.00
501–1,000	18	16.667	14,800	0.00
1,001–10,000	27	25.000	106,800	0.00
10,001–100,000	3	2.778	85,400	0.00
100,001–500,000	0	0.000	—	0.00
Above 500,000	2	1.851	3,059,594,707	99.99
Total	**108**	**100.00**	**3,059,814,917**	**100.00**

* 90.78% of total issued shares or 2,777,735,918 shares were held through the Hong Kong Securities Clearing Company Limited as at 31 December 2020.

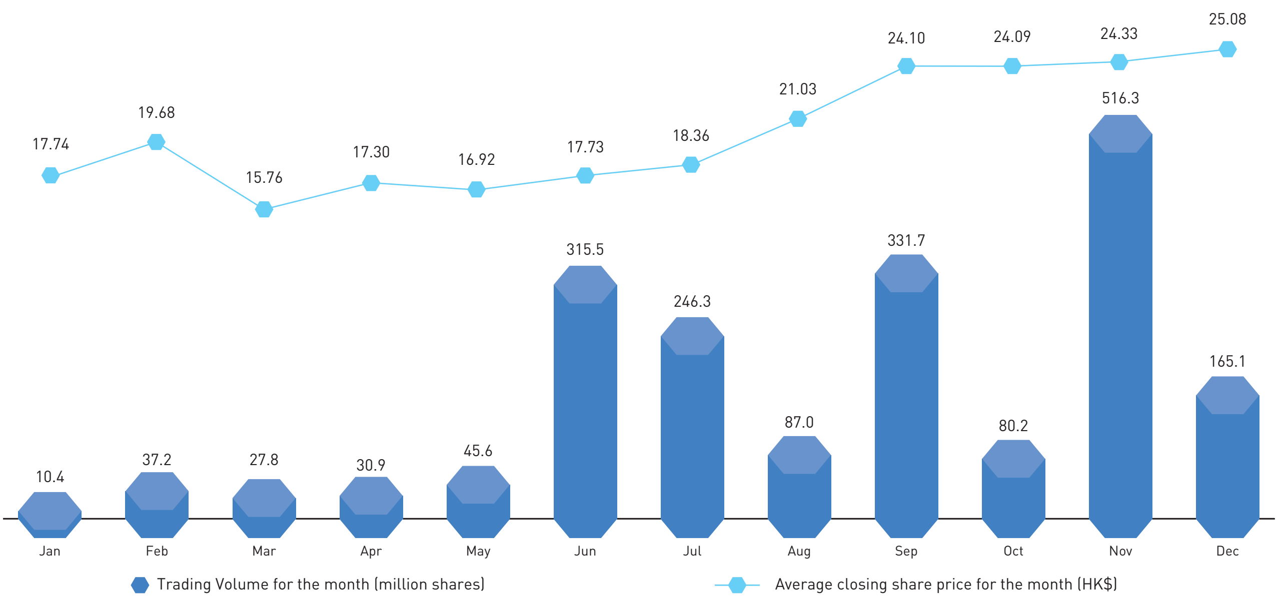
Public Float: No less than 25% of the total issued share capital of the company will be held by the public in compliance with the requirements under Rule 8.08(1) of the Listing Rules.

Investor Relations & Corporate Communications

FY2020 SHARE PRICE PERFORMANCE

Share Price (HK$) (Based on end of day closing price)	**1 January to 31 December 2020**
Opening	17.58
High	27.80
Low	11.00
Average	20.19
Last done at year end	27.80
Total Volume (million shares)	1,893.8
Average Daily Trading Volume (million shares)	7.6

FY2020 MONTHLY TRADING PERFORMANCE



Stock Codes

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

Investor Relations Contact
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Group Managing Director, Capital Markets and Investor Relations
Email: ir@esr.com

Corporate Communications Contact
Ms Antonia Au
Group Executive Director, Head of Corporate Communications
Email: gcc@esr.com

Risk Management

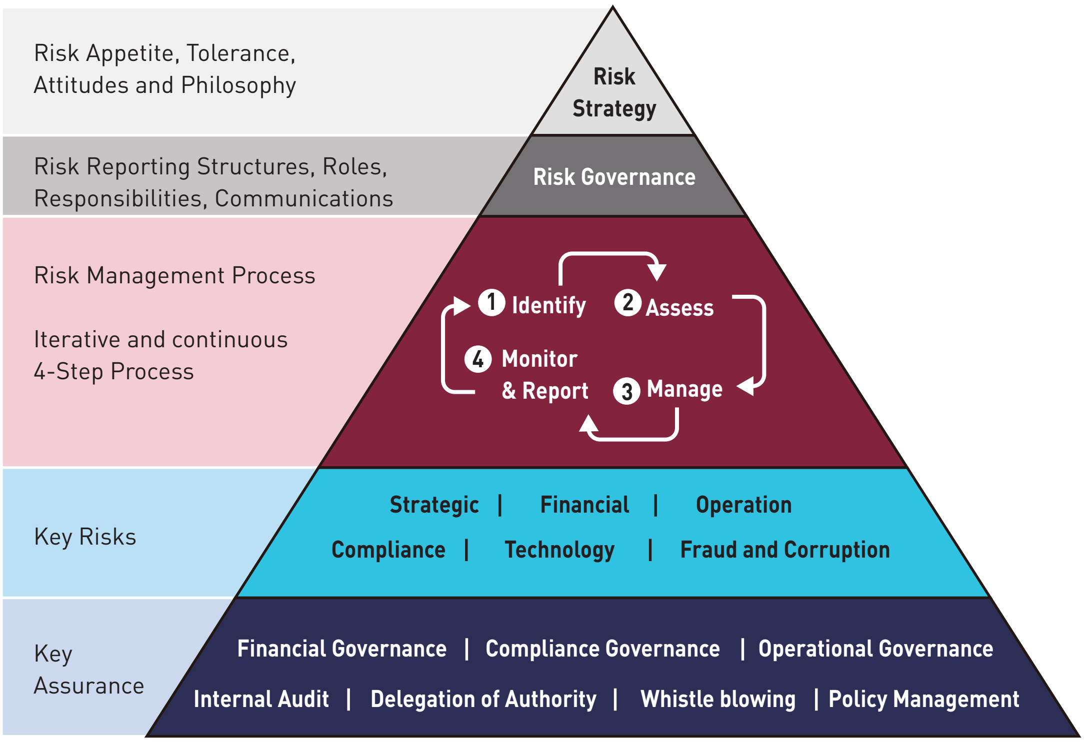
The Group takes a proactive approach in having a sound and robust risk management framework that ensures the Group is ready to meet challenges and seize opportunities through risk-informed decision-making. The risk management programme not only plays an integral part of our business, both strategically and operationally but also aims to create value for ESR's shareholders and investors.

The Group's Enterprise Risk Management ("ERM") Framework provides a holistic and systematic approach for the identification, assessment, monitoring and reporting of risks. It is designed to be dynamic with the intent of fostering the right risk culture and responds promptly and effectively in the constantly evolving business environment. At ESR, the risk management culture involves both top-down oversight from the Board and management and bottom-up engagement from employees. This ensures a risk approach that is aligned with the Group's business objectives and strategies and also helps the organisation anticipating its risk exposure, putting mitigating controls in place to counter threats, in pursuing its objectives.

STRONG OVERSIGHT AND GOVERNANCE

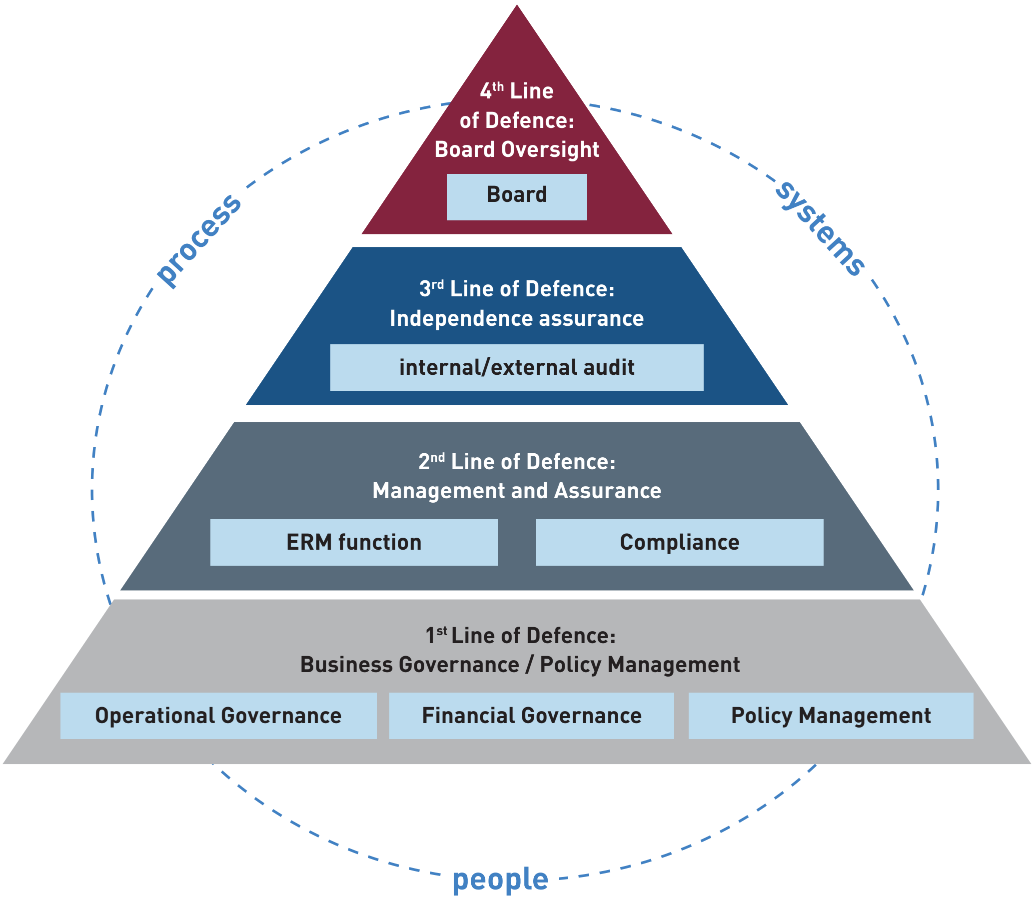
The Board is responsible for determining the Group's overall risk strategy and governance and maintenance of a sound system of risk management and internal controls in accordance to market practices and regulatory requirements. The Board reviews the adequacy of the resources involved in establishing the risk management framework across the Group and monitor the independence of risk management function throughout the Group. With the support of the Audit Committee, the Board oversees the design, implementation and monitoring of risk management within the Group. The Audit Committee comprises three Independent Non-Executive Directors and meets at least twice annually.

In establishing an organisation-wide risk governance structure, ESR adopts an ERM Framework which is adapted from both ISO 31000 Risk Management and COSO for identifying, evaluating and managing significant risks. This framework 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. Major changes to the ERM Framework, risk policies, risk parameters and terms of references are discussed with the Audit Committee.



Risk Management

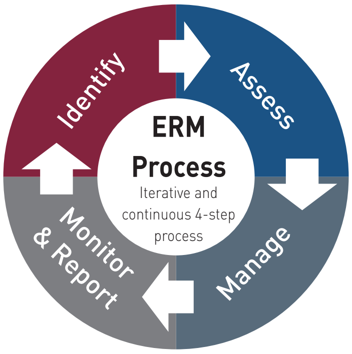
In establishing an organisation-wide risk governance structure, ESR adopts the 'four lines of defence' model. This governance model aims to drive risk accountability and ownership at all levels of the organisation, at the same time maintaining the right level of commitment and segregation across stakeholders.



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 should be 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 in any organisation is the Board of Directors. The Board, supported by the Audit Committee, 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.



- **Risk Identification**

  The Company adopts an integrated top-down and bottom-up risk review process to enable comprehensive identification and prioritisation of material risks throughout the Group. The risk identification process involves key stakeholders within the organisation, taking into account views from management, to discuss the top-tier risks and examine any other risk issues and emerging risks that they consider important. The Group's risk profile, including key risks, is reviewed and refreshed annually, or more frequently when the business environment warrants. The information is maintained and documented in a risk register, with risks sub-categorised into strategic, financial, operational, compliance and technology.

  A 5-by-5 risk matrix is used as the primary tool to facilitate the prioritisation of risks based on likelihood and impact. Risks are valued on the matrix based on the 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 evaluation of risks on the matrix. This risk identification exercise monitors any risk changes and trends as well as the effectiveness of the related control mechanisms and/or control activities on the overall risk profile. The Group's Risk Management function works closely with the risk owners to identify key risks, assess their likelihood and impact on the Group's business, and establish corresponding mitigating controls. The key risks are reviewed by management and Audit Committee before they are drawn to the attention of the Board.

- **Risk Assessment and Management**

  In-depth risk assessments are performed for key risks faced by the Group with the consideration of the potential drivers, likelihood of the risks occurring and consequences should they occur, as well as mitigating controls in place to manage them. Action plans are then identified to further manage risks as necessary. Risk assessments are reviewed periodically to ensure continued relevance to the Group. The process and its outcomes are documented to facilitate communication and provide information for decision-making.

  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 facilitate the understanding and effective implementation of controls within operations. All policies and procedures are reviewed on a periodic basis to ensure they remain relevant. Key updates and revisions to policies and procedures are approved by appropriate parties and communicated to all relevant parties.

Risk Management

- **Risk Monitoring and Reporting**
  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. They undertake an iterative and comprehensive approach according to the established risk governance structure and process in identifying, managing, monitoring and reporting of material risks. Significant exceptions noted are highlighted to appropriate parties in a timely manner. At least half-yearly basis, key updates to risks and controls are presented to the management, Audit Committee and Board for review and discussions.

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 industry related market risks such as rental rate, occupancy and country specific risks such as competition, supply, demand and local regulations. ESR adopts a rigorous and disciplined due diligence process, which subjects all investment proposals to stringent reviews. Investment proposals are subject to review by ESR's Investment Strategy Committee and/or the Board in accordance with its approved delegation of authority. These risks which can directly impede the Group from achieving its strategic objectives are closely managed and monitored within the organisation.

Throughout the COVID-19 outbreak, ESR has demonstrated the strength of its resilient business model with solid operating results, disciplined capital management and robust fundraising for its third-party vehicles. Leveraging its strategically diversified network spanning seven key markets across Asia Pacific, coupled with a quality tenant base focusing on e-commerce and third-party logistics companies, ESR has remained resilient to market changes and disruption.

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 prudent capital management. Financial risks such as liquidity, credit, currency and interest rate risks are closely managed and monitored by Management which are mitigated by a well-staggered debt maturity profile and a low gearing ratio. Reports monitoring financial metrics and indicators are submitted to the Board at least on a half-yearly basis.

Operational Risk

The Group has established a set of policies and procedures designed to identify, manage, monitor and report operational risks associated to the day-to-day activities and ensure business continuity. These operational procedures and guidelines are reviewed regularly to ensure relevance and effectiveness. Incident reporting and escalation protocols are established and communicated to all staff for emergencies.

During the COVID period, the Group also considers the well-being of staff with a decrease in the staff travelling, mobility restrictions on minimising their movements in travelling to office and complying with local quarantine measures and restrictions issued by local governments. Alternate working arrangement has been rolled out for staff and no material operational disruption encountered.

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

Compliance Risk

The Group is committed to comply with the applicable laws and jurisdictions in its day-to-day business processes and does not tolerate any breaches in regulatory compliance. Non-compliance may result in litigation, penalties or fines and/or other regulatory actions. The Group has established a compliance framework that covers training, monitoring, reporting for any non-compliance including investigations, enforcement and discipline. New and impending changes to regulations are closely monitored to ensure that the Group is adhering to regulatory requirements with instances of non-compliance or regulatory breaches escalated to the Board and management for follow-up.

Technology Risk

The Group acknowledges the rising threats posed by cyber-attacks which have become increasingly more prevalent and sophisticated. 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 operational efficiency and provides high quality internal governance. ESR has put in measures to protect itself against technology-related risks which may arise from both internal and external sources. In addition, ESR has in place comprehensive information technology policies and procedures governing information availability, confidentiality and security. An information technology disaster recovery plan is in place and tested annually with the objective to recover and protect a business information technology infrastructure in the event of a disaster including ensuring the information proprietary is kept safe and secured.

Fraud and Corruption Risk

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 annual code of conduct declarations by employees. Through the Company's Code of Conduct, employees are encouraged to report control deficiencies or suspicions of impropriety to the local Compliance Officer or the Group Compliance Officer, when applicable. ESR treats all misconduct and dishonesty seriously and seeks to conduct independent investigation and take appropriate disciplinary action for all concerns raised, including termination of employment.

Property Portfolio

Major development properties held on balance sheet

As at 31 December 2020

City	Property Name	Status	Estimated Completion Year	GFA (sqm)	Interest held by our Company	Type
CHINA						
Fenhu	Fenhu Dafuhao, No. 558 Fenhu Road, Lili Town, Wujiang District, Suzhou City, China	Foundation in progress	2023	222,123	100%	Logistics Facility
Jiaxing	Jiaxing Haining, East of Haining Avenue and North of Anzheng Shishang, Haining Economic Development Zone, Haining, Zhejiang Province, China	Superstructure in progress	2021	108,161	100%	Logistics Facility
Kunshan	Kunshan Zhonggang, No. 168 Shuanghua Road, Huaqiao Town, Kunshan City, Jiangsu Province, China	Land	2023	150,842	100%	Land
Langfang	Langfang Hongke, Rui Xue Road, An Ci District, Longhe High Tech Industry Park, Langfang, Hebei Province, China	Interior finishing	2021	34,587	100%	Logistics Facility
	Langfang Judicial Auction, South of Longhu Avenue and West of Tongyi Road, Emerging Industry Demonstration Zone, Langfang, Hebei Province, China	Interior finishing	2021	65,736	100%	Logistics Facility
	Langfang Zhongshi, South Qingyangshu Avenue and East of Chunhe Road, High Tech Industrial Development Zone, Langfang, Hebei Province, China	Interior finishing	2021	82,565	100%	Logistics Facility
Shanghai	Shanghai Yurun (Phases I and II) No. 2989 Baishi Highway, Baihe Town, Qingpu District, Shanghai, China	Superstructure in progress/ Interior finishing	2021 and 2023	559,637	74%	Logistics Facility
	Jiangnan Chuanting, 4/9 Qiu, 11 Neighbourhood, Zhelin Town, Feng Xian District, Shanghai, China	Interior finishing	2021	35,815	100%	Logistics Facility
JAPAN						
Tokyo	RW Higashi-Ogishima DC, Site B 23-1 and other tracts, Higashiogishima, Kawasaki-ku, Kawasaki-shi, Kanagawa-ken, Japan	Planning	N/A	305,997	70%	Logistics Facility
Tokyo	ESR Sachiura 2A DC, 8-5, Sachiura 1-chome, Kanazawaku, Yokohama-shi, Kanagawa-ken, 236-0003, Japan	Land	N/A	167,366	100%	Land
Tokyo	ESR Sachiura 2B DC, 8-4, Sachiura 1-chome, Kanazawaku, Yokohama-shi, Kanagawa-ken, 236-0003, Japan	Land	N/A	163,622	100%	Land

Major investment properties held on balance sheet

As at 31 December 2020

City	Property Name	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
	Changsha EDZ P2, South and North of Wangjiachong Road and West of Dongshier Road, Changsha Economic Development Zone, Changsha, Hunan Province, China	67,366	Leasehold	2067	100%	Logistics Facility
Chongqing	Chongqing Yongxiang, Zone M, Chayuan Group, Nan'an District, Chongqing, China	43,472	Leasehold	2067	100%	Logistics Facility
	Chongqing Yongxiang II CIP, Zone M, Chayuan Group, Nan'an District, Chongqing, China	47,092	Leasehold	2067	100%	Logistics Facility
	Chongqing Yongxiang III CIP, Zone M, Chayuan Group, Nan'an District, Chongqing, China	57,551	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
Fenhu	Fenhu Quansheng, East of Lianqiu Road and north of Datong Road, Lili Town, Wujiang District, Suzhou, Jiangsu Province, China	29,287	Leasehold	2069	55%	Logistics Facility
Jilin	Jilin Daling, South of Fumin Street, Daling Vehicle Logistics Park, Gongzhuling, Jilin Province, China	94,412	Leasehold	2068	100%	Logistics Facility
Jurong	Xiexin Jurong, No. 188 Konggang Road, Konggang New district, Guozhuang Town, Jurong City, China	165,098	Leasehold	2067	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

Property Portfolio

Major investment properties held on balance sheet (continued)
As at 31 December 2020

City	Property Name	GFA (sqm)	Tenure	Lease Expiry	Interest held by our Company	Type
CHINA						
Langfang	Langfang Weidu, No.14 Fengwu Road, Economic and Technical Development Zone, Langfang, Hebei Province, China	71,687	Leasehold	2061	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	Tianjin Fanxin, No. 80 Fuyuan Road, Jingbin Public Industrial Park, Dawangzhuang Town, Wuqing District, Tianjin, China	75,427	Leasehold	2064	90%	Logistics Facility
Wuhan	Wuhan Denso, West of the intersection of Huayuanwan Second Street and Zhulin Fourth Road, Daji Street, Caidian District, Wuhan Hubei Province, China	39,502	Leasehold	2069	100%	Logistics Facility
Wuxi	Wuxi Lekun, No. 182 Xishan Avenue, Xinwu District, Wuxi, Jiangsu Province, China	89,116	Leasehold	2066	100%	Logistics 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 2020 (the "Year").

THE BOARD

Board Compositions

During the Year 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)

Non-executive Directors
Mr Jeffrey David PERLMAN (Chairman of the Board)
Mr Charles Alexander PORTES *(redesignated from an Executive Director with effect from 1 January 2021)*
Mr Wei HU *(appointed with effect from 2 February 2021)*
Mr Joseph Raymond GAGNON *(resigned with effect from 23 August 2020)*
Mr Zhenhui WANG *(resigned with effect from 15 January 2021)*
Mr Ho Jeong LEE *(resigned with effect from 31 December 2020)*

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.

Corporate Governance Report

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 unless terminated by one month's written notice.

The appointment of all the 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 Year 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. At the date of this annual report, the Board currently comprises 10 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.

Meetings & Attendance Records

During the Year, the attendance records of each Director at the Board and Board Committee meetings and the general meeting of the Company held are set out in the table below and the Chairman of the Board had a meeting with all Independent Non-executive Directors without the presence of other Directors.

	Attendance/Number of Meetings (percentage of attendance)				
Name of Director	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Annual General Meeting**
Executive Directors					
Mr Jinchu SHEN *(co-CEO)*	7/7 (100%)	N/A	N/A	N/A	1/1 (100%)
Mr Stuart GIBSON *(co-CEO)*	7/7 (100%)	N/A	N/A	N/A	1/1 (100%)
Non-executive Directors (note 2)					
Mr Jeffrey David PERLMAN *(Chairman of the Board)*	7/7 (100%)	N/A	N/A	2/2 (100%)	1/1 (100%)
Mr Charles Alexander PORTES (note 1)	7/7 (100%)	N/A	N/A	N/A	1/1 (100%)
Mr Joseph Raymond GAGNON (note 3)	4/5 (80%)	1/1 (100%)	N/A	N/A	1/1 (100%)
Mr Zhenhui WANG (note 4)	2/7 (29%)	N/A	N/A	N/A	0/1 (0%)
Mr Ho Jeong LEE (note 5)	3/7 (43%)	1/2 (50%)	N/A	N/A	0/1 (0%)
Independent Non-executive Directors					
Mr Brett Harold KRAUSE	7/7 (100%)	2/2 (100%)	1/1 (100%)	2/2 (100%)	1/1 (100%)
The Right Honourable Sir Hugo George William SWIRE, KCMG	7/7 (100%)	N/A	1/1 (100%)	N/A	1/1 (100%)
Mr Simon James MCDONALD	7/7 (100%)	2/2 (100%)	N/A	2/2 (100%)	1/1 (100%)
Ms Jingsheng LIU	7/7 (100%)	N/A	1/1 (100%)	N/A	1/1 (100%)
Mr Robin Tom HOLDSWORTH	7/7 (100%)	2/2 (100%)	N/A	N/A	1/1 (100%)

Notes:
(1) Mr Charles Alexander PORTES was redesignated from the President of the Group and an executive Director of the Company to a non-executive Director with effect from 1 January 2021;
(2) Mr Wei HU was appointed as a non-executive Director with effect from 2 February 2021 and was not a Director during the Year;
(3) Mr Joseph Raymond GAGNON resigned as a non-executive Director with effect from 23 August 2020;
(4) Mr Zhenhui WANG resigned as a non-executive Director with effect from 15 January 2021; and
(5) Mr Ho Jeong LEE resigned as a non-executive Director with effect from 31 December 2020.

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 2020 is summarised as follows:

Name of Director	Training Attended (Note 1)
Executive Directors	
Mr Jinchu SHEN (co-CEO)	√
Mr Stuart GIBSON (co-CEO)	√
Non-executive Directors (note 2)	
Mr Jeffrey David PERLMAN (Chairman of the Board)	√
Mr Charles Alexander PORTES *(redesignated from executive Director with effect from 1 January 2021)*	√
Mr Joseph Raymond GAGNON *(resigned with effect from 23 August 2020)*	√
Mr Zhenhui WANG *(resigned with effect from 15 January 2021)*	√
Mr Ho Jeong LEE *(resigned with effect from 31 December 2020)*	√
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	√

Notes:
1. 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.
2. Mr Wei HU was appointed as a non-executive Director with effect from 2 February 2021 and was not a Director during the Year.

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 Year, except that in February 2020, the spouse of a Director acquired Shares of the Company unintentionally during the period of 60 days immediately preceding the publication date of the annual results of the Company. Following notification by the Director of the share dealing, the Company has taken remedial actions by sending a reminder to the Directors of the obligations under the Model Code, in particular the prohibitions on dealing, the procedures for clearance and the applicability of the dealing restrictions on the Directors' spouses. The Company also provided additional training to the Directors in relation to restrictions on dealing in March 2020.

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.

At the date of this annual report, the Audit Committee currently comprises three Directors, including 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.

During the Year, the Audit Committee held two meetings in March 2020 and in August 2020 for the review of the 2019 annual results and 2020 interim results of the Company respectively, and also including but not limited to 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.

At the date of this annual report, the Remuneration Committee currently 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.

During the Year, the Remuneration Committee held two meetings in March 2020 and August 2020 for the determination of the policy for the remuneration of Executive Directors, assessment of the performance of Executive Directors, approval of the terms of Executive Directors' service contracts.

Corporate Governance Report

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 taking into consideration the remuneration levels sufficient to attract and retain directors and management with the appropriate experience and expertise to manage the Company. 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 2020 is set out below:

	For the year ended 31 December	
	2020	**2019**
Remuneration band (USD)	**Number of Individual**	**Number of Individual**
Below US$2,000,000	1	1
US$2,000,001 to US$4,000,000	1	1
US$4,000,001 to US$6,000,000	2	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.

At the date of this annual report, 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.

During the Year, 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.

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.

In implementing the Board Diversity Policy, the Nomination Committee evaluates the composition of the Board and director candidates from time to time against objectives such as increasing gender diversity and broadening the cultural background, educational background, industry experience and professional experience of the members of the Board. The Nomination Committee will regularly review such objectives to ensure their appropriateness and ascertain the progress made towards achieving those 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 Report

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 2020.

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 2020. 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 112 to 116 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 Group's external auditor is Ernst & Young. The Audit Committee is mandated to ensure continuing auditors' objectivity and safeguarding independence of the auditor. Up to the date of this report, the Audit Committee has considered and approved the engagement of Ernst & Young as auditor of the Group for the reporting year and the corresponding audit fee estimation.

The remuneration paid or payable by the Group to Ernst & Young in respect of their audit and other non-audit services for the were as follows:

Type of services	For the year ended 31 December 2020 US$'000	For the year ended 31 December 2019 US$'000
Audit services (including statutory audit fee of subsidiaries) [Note 1]	2,426	4,903
Non-audit services [Note 2]	1,044	1,383
Total	3,470	6,286

Notes:
(1) For the year ended 31 December 2019, the fees for audit services included reporting accountant's fees paid in relation to the global offering and listing of shares of the Company on the Stock Exchange.
(2) Non-audit services mainly were 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 on an ongoing basis including ensuring the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function. Recognising and managing risks in a timely and effective manner is essential to ESR's business and protecting stakeholders' interests and value. 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 and ensure that a robust risk and inclusive framework is maintained by Management. The Board reviews the adequacy of risk management practices for material risks, such as strategic, financial, compliance, operational and technology risks, on a regular basis, including reviewing the governance and process for effective risk management.

Corporate Governance Report

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 ISO 31000 and COSO for identifying, evaluating and managing significant risks. The Framework consists of tools such as ERM Governance, risk policies and risk parameters which are dynamic and evolves to adapt to the changing business environment. It also provides a holistic and systematic approach for the identification, assessment, monitoring and reporting of key risks as well as regular reporting of the risks to management, Audit Committee and the Board.
- Since the risk profile may vary from time to time, the management performs risk assessment by monitoring any risk changes and trends as well as the effectiveness of the related control mechanisms and/or control activities on the overall risk profile 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. Any material non-compliance or failure in internal controls and recommendations for improvements are reported to Audit Committee and the Board.
- 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 and Conflicts of Interest (COI) policy in place.

To reinforce a culture of good business ethics and governance, 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 through a well-defined and trusted channel. The objective of this policy is to encourage the reporting of such matters with confidence and employees or external parties making any reports will be treated fairly and, to the extent possible, be protected from reprisal. 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 established risk management and internal control systems to ensure core values, strategic planning and operational procedures and communications within the Group are effective. The Board also evaluates and determines the nature and extent of risks to endorse in pursuit of the Group's strategic and business objectives;
- 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 Group'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 to provide independent assurance to management, Audit Committee and the Board; and
- Appropriate risk mitigating activities are in place including identification of risks and corresponding mitigating controls to achieve its business objectives across the entity. The information is maintained in a risk register that is reviewed and updated regularly.

Refer to "Risk Management" on pages 63 to 67 of this annual report for further details of the Group's risk management programme.

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.

For the Year, the Board has conducted an annual review of the effectiveness of the Group's risk management and internal control systems, which covered all material controls, including financial, operational, technology and compliance controls. The Board has received a confirmation from the management on, and was satisfied with, the effectiveness and adequacy of the systems.

Internal Audit

The internal audit department is responsible for providing independent assurance regarding the existence of adequate and effective internal control environment adopted by the Company. The internal audit department has direct access to the Audit Committee and has free and unrestricted access to information and management of the Company when carrying out its duties. 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 by the internal audit department on a regular basis. The internal audit findings 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.

Corporate Governance Report

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. Since the Listing Date, 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 a 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. To keep the Board abreast of investors' perceptions and concerns, the Investor Relations team also provides updates on analyst consensus estimates and views at the bi-annual Board meetings. This includes updates and analyses of the shareholder register, highlights of key shareholder engagements as well as market feedback. Such presentations and updates allow the Board to develop a good understanding of the progress of the Group's business as well as the prevailing issues and challenges facing the Group, and also promote active engagement with the key executives.

More information on the Company's investor and media relations efforts can be found in the Investor Relations & Corporate Communications section on pages 60 to 62 of this Annual Report.

Environmental, Social and Governance Performance

At ESR, we define 'sustainability' in terms of integrating Environmental, Social and Governance (ESG) performance considerations into every aspect of our business. Our objective is to enhance shareholder value while making positive impacts on society and the environment for the long-term benefit of all stakeholders.

SUSTAINABILITY AT A GLANCE

In 2020, we launched our ESG framework, which organises material ESG topics for our business into 17 Focus Areas under three pillars.

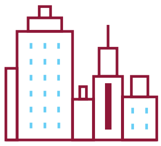
ESR's ESG Framework

Pillar 1
Human Centric

Basic human needs are universal. Meeting those needs today while ensuring they can continue to be met in the future, is the cornerstone of sustainable development.

Focus Areas:
- Safety, Health & Well-being
- Diversity & Inclusion
- Community Investment
- Managing & Developing Talent
- Stakeholder Engagement

Pillar 2
Property Portfolio



Our vision is to develop and manage logistics facilities for the new economy. We offer our tenants modern, state-of-the-art, focused and integrated real estate platforms.

Focus Areas:
- Sustainable & Efficient Operations
- Sustainable Building Certifications
- Climate Change Resilience
- Biodiversity and Habitat Protection
- Flexible & Adaptable Properties
- Strategic Locations

Pillar 3
Corporate Governance

Strong corporate performance is the foundation upon which we will achieve sustained and balanced growth, resulting in stable returns over the long-term.

Focus Areas:
- Financial Performance
- Investor Relations
- Responsible Investing & Finance
- Corporate Governance
- Risk Management
- Disclosure & Reporting

SUSTAINABLE DEVELOPMENT GOALS

ESR supports the United Nations 2030 Agenda, which identifies 17 inter-linked Sustainable Development Goals (SDGs) to help create a better and more sustainable future for all. Our new ESG framework aligns with six SDGs where we feel we can make the biggest contribution in the Asia Pacific region.

The ESR ESG Report 2020, which will contain further information about our ESG management and approaches and disclosures required under the Listing Rules, will be published on the websites of the Stock Exchange and the Company in May 2021.

The following pages provide a brief overview of our ESG priorities and some performance highlights for the past year.

Environmental, Social and Governance Performance

ESR Amagasaki DC exemplifies many elements of ESR's ESG Framework in action

This 28-month project was built in collaboration with leading local partners:

- Taisei Corporation (Design)
- Takato Tamagami Architectural Design, Ltd. (Amenity Space Designer)
- Mio Watanabe Design Office, LLC. (Landscape Designer)
- Taisei Joint Venture (Construction)

A suite of human-centric features exemplifies our design philosophy, including BARNKLÜBB day-care centre for children of on-site workers and KLÜBB leisure amenities:

- KLÜBB Lounge
- KLÜBB Shop
- KLÜBB Park

At opening, 70% of the facility had been pre-leased to some of ESR's largest global tenants.

An array of sustainable elements help to mitigate environmental impacts, such as:

- Energy-saving features
- Onsite solar power generation
- Green spaces
- EV charging facilities for trucks and cars

Health, Safety & Well-being

Stakeholder Engagement

Sustainable & Efficient Operations

Completed in June 2020, ESR Amagasaki DC is the largest domestic consumption logistics warehousing project in Asia Pacific with a GFA of 388,570 sqm. This landmark development received the Gold Award in the category of "Best Infrastructure, Community & Civic Building" at the MIPIM Asia Awards 2020—a category for social and economic infrastructure that helps to improve quality of life, including airports, hospitals and stadia among others.

ESR Amagasaki Distribution Centre, Japan

"We built ESR Amagasaki DC with a human-centric design concept to promote the well-being of our customers and their workforce while making positive changes in the broader community."

Stuart Gibson, Co-founder and Co-CEO

Sustainable Building Certifications

Climate Change Resilience

Flexible & Adaptable Properties

The following leading industry bodies have certified this development's positive impacts:

- CASBEE (Comprehensive Assessment System for Built Environment Efficiency) - Class A
- ABINC (Association for Business Innovation in harmony with Nature and Community)

Japan has a long history of overcoming devastating natural disasters, giving rise to some of the world's most effective approaches to business resilience. ESR Amagasaki DC is safeguarded by a 1,000 metre long sea wall. This feature not only protects lives and the property but also reflects the creativity of ESR employees, professional artists and other members of our local community who contributed to decorating it with stunning images in bright colours.

This six-storey distribution centre epitomises the highest standard of specifications for modern logistics:

- 5.5m clear height
- 1.5ton/sqm floor loading
- 418 truck berths
- Cargo elevators and vertical lifters

PILLAR 1: HUMAN CENTRIC

The first pillar of our framework focuses on social impacts; specifically those associated with employment, investing in local communities and engaging our tenants.

Focus Areas		Targets	Status
Safety, Health & Well-being	The safety, health and well-being of our people is ESR's first priority.	Zero Workforce Fatalities	Achieved in 2020
Diversity & Inclusion	We commit to fostering workplaces that embrace diversity and are free from discrimination.	40% Female Participation Rate by 2025	Year-on-year improvement in 2020
Community Investment	Giving back to the communities in which we operate is integral to our corporate culture.	Launch ESR Community Engagement Programme	Work in progress
Managing & Developing Talent	Put simply, we aspire to be an 'Employer of Choice.'	Launch ESR Employee Engagement Programme	Inaugural employee engagement and health & well-being surveys completed in November 2020 by an independent research firm
Stakeholder Engagement	We will listen and respond to feedback from our stakeholders in order to help create a better and more sustainable future for all.	Launch ESR Tenant Engagement Programme	Work in progress

2020 by the numbers

594 employees across 6 markets

89% Response Rate to our inaugural employee engagement survey

93% Response Rate to our inaugural health & well-being survey

+10.9 Net Promotor Score implies the majority of employees are happy at ESR

COMBATING COVID-19 TOGETHER

2020 was a year of unexpected challenges arising from the global COVID-19 pandemic. Thanks to the dedication of our workforce and continued support from our stakeholders, ESR has demonstrated extraordinary resilience by maintaining continuous operations while safeguarding our people and assets.

During the year, we implemented enhanced safety measures in facilities under our management, including regular cleaning of common areas and staff training, especially for security personnel. We worked closely with our tenants to ensure effective communication about COVID-19 prevention and control. Recognising the adverse effects of business disruptions during the year on some tenants, our local teams have evaluated and approved legitimate rent-relief requests on a case by case basis.

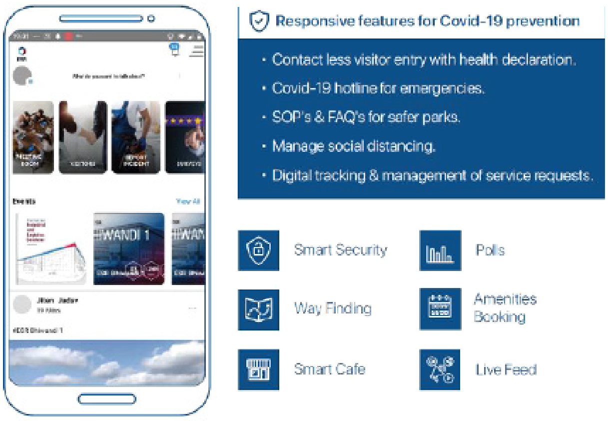
On construction sites for our development assets, we have worked with our contractors to implement temperature screening and enhanced hygiene protocols. This includes hand-washing and compulsory wearing of facemasks in accordance with locally applicable guidelines and regulations.

Environmental, Social and Governance Performance

EMBRACING TECHNOLOGY TO KEEP OUR PEOPLE AND TENANTS SAFE

In 2020, ESR India launched a mobile application to help combat the spread of COVID-19. Developed by Smarten Spaces, the app facilitates contactless entry and exit for workers and visitors at all ESR facilities in India. In addition to digital submission of mandatory health declarations and thermal temperature scans, AI technology helps to detect anomalies and monitor social distancing within our premises.

To enhance efficiency and convenience, service enquiries from our tenants can be raised through the app avoiding in-person interactions. The app also provides users with regular updates on schedules for deep cleaning of our facilities, government guidelines, and other information about COVID-19 prevention from credible sources.



SUPPORTING LOCAL COMMUNITIES THROUGH CHALLENGING TIMES

ESR has been fortunate to experience limited disruption to our business from the COVID-19 pandemic, even though our local teams are deeply impacted by the human cost of this disease on their communities.

In India, ESR donated 15,000 kg of rice to local communities near our properties in Chennai whose livelihoods were severely disrupted by the national lockdown. Amid widespread concern about shortage of medical supplies, we also donated a multi-functional emergency ventilator to the M W Desai Hospital in Mumbai.

In Japan, we are honoured to play a supportive role in the logistics chain for COVID-19 vaccines. One of our tenants has been licensed by local authorities to store and distribute vaccines at an ESR facility in the Osaka / Kansai region. Thirty-two large refrigerators have been installed for this purpose and the first batch of 35,000 vaccines were delivered in early March 2021.

PILLAR 2: PROPERTY PORTFOLIO

This pillar focuses on environmental impacts within ESR's control or significant influence arising from the design, construction, maintenance and daily operations of our assets.

Focus Areas		Targets	Status
Sustainable & Efficient Operations	Striving for continuous improvement by always doing more with less.	50% increase in solar power generation by 2025 compared with 2019	Achieved in 2020; 51% increase compared with 2019
		20% reduction in energy consumption by 2025 compared with 2019	Please refer to our standalone ESG report
Sustainable Building Certifications	Taking our commitment to sustainability one step further by obtaining globally recognised assurance for positive social and environmental impacts.	50% of our portfolio to obtain Sustainable Building Certifications by 2025	54 out of 283 assets (19%) have Sustainable Building Certifications; this is a 15% increase from 2019
Climate Change Resilience	Managing business risks and opportunities from climate change.	Alignment with Recommendations from the Taskforce on Climate-related Financial Disclosures (TCFD)	TCFD report available in our standalone ESG report
Flexible & Adaptable Properties	Optimising our facilities to enhance usability, accessibility, comfort and aesthetics.	Design, construction and maintenance to limit material degradation	Quantitative targets to be developed Work in progress
Strategic Locations	Optimising trade and distribution logistics for the 21st century economy.	More assets in key locations	

Property Portfolio KPIs for 2020

283
Assets in scope

*including Managed/Indirectly Managed assets and assets Under Construction

144MJ
Solar power generation

34MW
Roof-top solar power installed capacity

SUSTAINABLE DESIGN-BUILD

We obtain certification for our assets in accordance with recognised standards such as Leadership in Energy and Environmental Design (LEED) and the Comprehensive Assessment System for Built Environment Efficiency (CASBEE). We believe there are numerous advantages of this approach that align closely with our ESG strategy, including increased asset valuation, decreased operational costs and health benefits for building occupants.

We are proud to have received LEED certification for nine of our assets in China, representing 9% of our portfolio in this market.

Everbeauty Reconstruction Project in Songjiang District, Shanghai is a newly completed asset that received LEED certification in 2020.

Dongguan Hongmei Park Phase II, China features EV charging facilities. It is one of three assets completed in China in 2020 for which we are awaiting the results of LEED certification.

Environmental, Social and Governance Performance

PILLAR 3: CORPORATE GOVERNANCE

This pillar focuses on governance impacts arising from our business operations.

Focus Areas		Targets	Status
Responsible Investment	Acting in the long-term best interests of our stakeholders by incorporating ESG factors into investment decision-making and active ownership of our assets	Work in progress	Work in progress
Corporate Governance	Growing our business upon a strong foundation of Core Values	Maintain a strong Corporate Governance culture	100% employee endorsement of ESR Group Code of Conduct
Disclosure & Reporting	Benchmarking our ESG performance against international best practices	3-Star average rating from GRESB—The Global ESG Benchmark for Real Assets	GRESB performance update available in our standalone ESG report
Risk Management	Harmonising and strengthening our management approaches to ensure compliance across all markets	100% of employees receive annual training	Enhanced Third Party Due Diligence Workflow fully implemented

CORPORATE POLICIES INTRODUCED IN 2020

In 2020, the Board formally approved three corporate policies.

ESR Group Environmental Social and Governance (ESG) Policy

- Integrates ESG throughout our business
- Identifies key sustainable business features for our logistics facilities and ESR Sustainable Commitments
- ESR ESG Committee oversees progress towards achieving our ESG vision and strategy

ESR Conflict of Interest Policy

- Conflicts arise if competing influences may adversely affect decision-making and outcomes
- Employees are required to act with integrity and use good judgment
- Potential conflicts will be escalated and managed appropriately

ESR Group Supplier Code of Conduct

- Defines standards we expect our suppliers to uphold when conducting business with and/or on behalf of ESR
- Includes requirements on Business Ethics, Environment and Sustainability, Health & Safety, Information Security & Data Privacy and Labour

COMPREHENSIVE, AUTOMATED COMPLIANCE SOLUTIONS

At ESR, we are committed to operating our business responsibly, which means ensuring high standards of ethical conduct from all employees and every third party with whom we do business. As part of this commitment, we have automated several important components of the Group's compliance programme:

Group Code of Conduct

We deploy a web-based compliance monitoring solution called ComplySci to track employees' attestations and training activities and in accordance with our Code of Conduct and related corporate policies.

Whistleblowing Policy

We will launch a new whistleblower platform operated by IntegraCall® in early 2021 incorporating 'security by design' technology to protect whistleblowers. Reports can be submitted in multiple languages.

Third Party Risk Management

In 2020, we purchased and implemented a new proprietary software and third party due diligence service platform called ComplianceDesktop® licensed by The Red Flag Group, a Refinitiv company.

ENHANCED FOCUS ON THIRD PARTY RISK MANAGEMENT

During the year, our Group Compliance function worked closely with colleagues in all local offices to ensure smooth implementation of ComplianceDesktop® as part of our enhanced Third Party Due Diligence Workflow. The new automated process improves compliance and risk management across the Group by providing complete transparency.

Phase 1: Remediation (completed in 2019)

- 3,716 third parties screened
- 214 'hits'
- 67 third parties underwent further investigation by ESR local offices
- 100% resolution rate

Phase 2: Automation (September – November 2020)

- Implementation of automated Third Party Due Diligence Workflow
- Training of responsible persons, business unit managers and Legal and Compliance teams
- Successful roll-out of ESR ComplianceDesktop® across 8 markets

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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 2020.

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 2020, 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, associate and joint ventures are set out in note 1 and note 15 to the Consolidated Financial Statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company and the shares issued during the reporting year are disclosed in note 40 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 44 to 57 and "Message from Chairman" and "Message from CEOs" on pages 16 to 23 of this annual report, and an analysis using key financial performance indicators are set out in the sections "FY2020 Financial Highlights" and "FY2020 Operational Highlights" on pages 12 to 15 of this annual report.

RESULTS

The financial results of the Group for the year ended 31 December 2020 are set out in the Consolidated Financial Statements of the Group on pages 117 to 222 of this annual report.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group as at 31 December 2020 are set out in note 25 to the Consolidated Financial Statements.

DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: nil).

Directors' Report

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.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last five financial years is set out on pages 223 to 224 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 and the net proceeds raised (after deduction of the underwriting fees and commissions and relevant expenses) from the Global offering of the Company on the Stock Exchange was approximately HK$4,461.5 million (approximately US$570 million). From the Listing Date to 31 December 2019, we utilised approximately US$404 million for repayment of Hana Notes and redemption of the previously unconverted Class C Preference Shares, and during the first-half of the year 2020, further utilised approximately US$166 million for the development of logistics properties on our own balance sheet and making co-investments in the funds and investment vehicles we manage. As of 31 December 2020, we have fully utilised 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.

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 Performance" on pages 83 to 88 of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group has put in place practices and policies to monitor compliance with the legal and regulatory requirements applicable to its operations, such as companies, foreign investment and securities laws in the jurisdictions in which the Group operations. During the year ended 31 December 2020, the Group had compiled with the relevant laws and regulations that have a significant impact on 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 594 employees spanning seven locations, namely the PRC, Japan, South Korea, Singapore, Hong Kong, Australia and India, as at 31 December 2020. 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's leading market positions enable it to provide its tenants with seamless regional solutions, and connecting its capital partners with a single interface to assess investment opportunities in the region.

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 Performance" on pages 83 to 88 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year ended 31 December 2020, the largest customer and the five largest customers of the Group accounted for approximately 9% and 33%, respectively, of the Group's total revenue from sale of goods or rendering of services.

During the financial year ended 31 December 2020, the five largest suppliers accounted for less than 30% of the Group's total purchases.

None of the directors, their associates nor any shareholders (which to the knowledge of the directors own more than 5% of the number of issued shares of the Company) had any interests in any of the five largest customers or suppliers of the Group.

DISTRIBUTABLE RESERVES

Details of the movement in the reserves of the Company during the year ended 31 December 2020 are set out in note 43 to the Consolidated Financial Statements of this annual report.

As at 31 December 2020, the reserves available for distribution to Shareholders by the Company amounted to US$1,692,227,000 (2019: US$1,730,693,000).

Directors' Report

DIRECTORS

Directors of the Company during the year ended 31 December 2020 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
Non-executive Directors	
Mr Jeffrey David PERLMAN *(Chairman of the Board)*	14 June 2011
Mr Charles Alexander PORTES (redesignated with effect from 1 January 2021)	20 January 2016
Mr Wei HU	2 February 2021
Mr Joseph Raymond GAGNON (resigned with effect from 23 August 2020)	30 June 2011
Mr Zhenhui WANG (resigned with effect from 15 January 2021)	10 May 2018
Mr Ho Jeong LEE (resigned with effect from 31 December 2020)	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)

During the reporting year, and up to the date of this report, Mr Joseph Raymond Gagnon, Mr Ho Jeong Lee and Mr Zhenhui Wang resigned as non-executive directors with effect from 23 August 2020, 31 December 2020 and 15 January 2021 respectively. Mr Wei HU was appointed as a non-executive Director with effect from 2 February 2021. Mr Charles Alexander Portes was redesignated from the President of the Group and an executive director to a non-executive director of the Company with effect from 1 January 2021. There was no other change of Directors of the Company during the year.

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 24 to 29 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.

Directors' Report

Accordingly, at the forthcoming annual general meeting to be held on 2 June 2021, Mr Wei Hu, Mr David Alasdair William Matheson, Mr Simon James McDonald, Ms Jingsheng Liu and Mr Robin Tom Holdsworth agreed and shall retire from office and have offered themselves for re-election at the annual general meeting.

DIRECTORS' SERVICE AGREEMENTS AND LETTERS 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

There was no transaction, arrangement or contract of significance entered into in the financial year ended 31 December 2020 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.

COMPETING BUSINESS

Mr Jeffrey David Perlman, a non-executive Director is an employee of Warburg Pincus Private Equity X, L.P. (a substantial shareholder of the Company up to 27 November 2020) 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 his employment, he may hold directorships in such businesses.

Mr Jeffrey David Perlman, is a 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, who was a non-executive director during the year until his resignation with effect from 23 August 2020, was an employee of Warburg Pincus Private Equity X, L. P. and director of ARA, as further described above, and held directorship in potentially competing business. He was 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.

None of our Directors has an interest in any of the Company's primary competition.

The Board is of the view the Company is capable of carrying on its business independently of and at arm's 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.

Directors' Report

MANAGEMENT CONTRACTS

During the year ended 31 December 2020, 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

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

Mr Ho Jeong Lee resigned as a non-executive director and member of Audit Committee of the Company effective from 31 December 2020.

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

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

Directors' Report

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

As at 31 December 2020, the interests and short positions of Directors and chief executives 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 Divisions 7 and 8 of Part XV of the SFO or 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)*	319,658,645 (L) *(Note 3)*	10.45%
Mr Stuart Gibson	Interest of controlled corporations *(Note 4)*	452,422,219 (L) *(Note 5)*	14.79%
	Interest of spouse	73,000 (L)	0.00%
		452,495,219 (L)	14.79%
Mr Charles Alexander Portes	Interest of controlled corporations *(Note 4)*	452,422,219 (L) *(Note 5)*	14.79%

Notes:

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

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

3. Inclusive of the interest in 7,799,856 Shares underlying the share options pursuant to the Tier 1 ESOP.

4. Redwood Investment Company, Ltd. is owned as to 42.0% 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 2020, none of the Directors and chief executives of the Company has any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) (i) as recorded in the register required to be kept under section 352 of the SFO; or (ii) as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the information disclosed in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions In Shares, Underlying Shares and Debentures" above, at no time during the year ended 31 December 2020 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.

Directors' Report

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

As at 31 December 2020, the following persons (not being Directors or chief executives 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 at 31 December 2020
OMERS Administration Corporation	Beneficial owner	456,221,943 (L)	14.91%
Mr Stuart Gibson	Interest of controlled corporations *(Note 2)*	452,495,219 (L)	14.79%
Mr Charles Alexander Portes	Interest of controlled corporations *(Note 2)*	452,422,219 (L)	14.79%
Redwood Investor (Cayman) Limited	Interest of controlled corporations *(Note 2)*	420,521,337 (L)	13.74%
Kurmasana Holdings, LLC	Interest of controlled corporation *(Note 2)*	420,521,337 (L)	13.74%
Redwood Investment Co., Limited	Beneficial owner *(Note 2)*	420,521,337 (L)	13.74%
Mr Jinchu Shen	Interest of controlled corporation *(Note 3)*	319,658,645 (L)	10.45%
Rosy Fortune Limited	Founder of a discretionary trust *(Note 3)*	319,658,645 (L)	10.45%
Tricor Equity Trustee Limited	Trustee *(Note 3)*	319,658,645 (L)	10.45%
Laurels Capital Investments Limited	Beneficial owner *(Note 3)*	319,658,645 (L)	10.45%
Mr Richard Qiangdong Liu	Beneficiary of a trust (other than a discretionary interest) *(Note 4)*	231,821,461 (L)	6.99%
Max Smart Limited	Interest of controlled corporation *(Note 4)*	231,821,461 (L)	6.99%
JD.com, Inc.	Interest of controlled corporation *(Note 4)*	231,821,461 (L)	6.99%
Jingdong Technology Group Corporation	Interest of controlled corporation *(Note 4)*	231,821,461 (L)	6.99%
JD Logistics Holding Limited	Interest of controlled corporation *(Note 4)*	231,821,461 (L)	6.99%
Jingdong Logistics Group Corporation	Beneficial owner *(Note 4)*	231,821,461 (L)	6.99%
Stichting Depositary APG Strategic Real Estate Pool	Depositary *(Note 5)*	211,057,897 (L)	6.90%
APG Asset Management N.V.	Investment Manager *(Note 5)*	211,057,897 (L)	6.90%
APG Groep N.V.	Investment Manager *(Note 5)*	211,057,897 (L)	6.90%
Stichting Pensioenfonds ABP	Investment Manager *(Note 5)*	211,057,897 (L)	6.90%
SK Holdings Co., Ltd.	Beneficial owner	196,539,292 (L)	6.42%
GIC Private Limited	Investment Manager	154,939,045 (L)	5.06%
The Capital Group Companies, Inc.	Interest of controlled corporations *(Note 6)*	154,647,153 (L)	5.05%

Directors' Report

Notes:

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

2. 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 2020, 31,900,882 Shares (representing 1.04%(L) of the total issued shares of the Company then and inclusive of the interest in 16,899,687 Shares underlying the share options pursuant to the Tier 1 ESOP) were held by Redwood Consulting (Cayman) Limited ("Redwood Consulting") as the beneficial owner. Redwood Consulting is owned as to 50.0% and 50.0% by Mr Charles Alexander Portes and Mr Stuart Gibson, respectively. Hence each of Mr Charles Alexander Portes and Mr Stuart Gibson are deemed to be interested in Shares held by Redwood Consulting.

3. Laurels Capital Investments Limited is wholly owned by The Shen Trust. The settlor of The Shen Trust is Rosy Fortune Limited, the sole shareholder of which is Mr Jinchu Shen. The trustee of The Shen Trust is Tricor Equity Trustee Limited. Rosy Fortune Limited has a deemed interest under the SFO in the Shares held by The Shen Trust in its capacity as settlor of The Shen Trust, Mr Jinchu Shen has a deemed interest under the SFO in the Shares held by The Shen Trust solely in his capacity as the sole shareholder of the settlor of The Shen Trust and Tricor Equity Trustee Limited has a deemed interest under the SFO in the Shares held by The Shen Trust in its capacity as trustee of The Shen Trust. As at 31 December 2020, 319,658,645 Shares of the total issued shares of the Company then and inclusive of the interest in 7,799,856 Shares underlying the share options pursuant to the Tier 1 ESOP) were held by Laurels Capital Investments Limited as the beneficial owner.

4. 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.

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

6. Capital International Limited, Capital International Sarl and Capital International, Inc., which are wholly owned subsidiaries of Capital Group International, Inc., were the beneficial owner of 897,000 Shares, 3,833,200 Shares and 45,475,200 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 Research and Management Company was the beneficial owner of 104,441,753 Shares. By virtue of the SFO, Capital Research and Management Company is deemed to have beneficial ownership over the Shares held by Capital International Limited, 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.

Save as disclosed above, as at 31 December 2020, 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 2020, nor was there any equity-linked agreement entered into by the Company subsisting as at 31 December 2020.

Directors' Report

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 2020, the Company has issued 23,766,674 ordinary shares under the KM ESOP.

(iv) Maximum number of shares

At 31 December 2020, 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 25,790,552 Shares (approximately 0.84% of the issued share capital of the Company as at 31 December 2020).

(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**")

Directors' Report

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

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

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

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

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

(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.

Directors' Report

(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.

Directors' Report

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

Exercise price (USD)	Grant date	Vesting Period	Number of options held at 1 January 2020	exercised during the Year	cancelled during the Year	Held at 31 December 2020
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	11,043,171	(10,943,151)	–	100,020
0.9445	December 2017	4 years	20,428,178	(11,972,292)	–	8,455,886
0.9445	January 2018	4 years	13,513,611	(2,778,500)	–	10,735,111
1.1453	August 2018	4 years	873,103	–	–	873,103
0.4722	February 2019	3 years	794,134	(644,134)	–	150,000
0.9445	February 2019	3 years	103,080	–	–	103,080
1.3655	February 2019	4 years	1,098,494	(150,000)	–	948,494
1.5172	February 2019	4 years	3,660,909	(551,971)	(90,626)	3,018,312
0.9445	May 2019	Varies from 3 to 4 years and all vested	1,111,700	(331,300)	–	780,400
1.5172	May 2019	4 years	659,101	(32,955)	–	626,146
			57,474,767	(31,593,589)	(90,626)	25,790,552

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

Since certain options holders opted for either net cash settlement or net share settlement method in lieu of paying in full the exercise price for the number of shares over which the option was exercised, only a net total of 23,766,674 ordinary shares were issued by the Company for the year ended 31 December 2020 in satisfaction of the 37,298,182 options so exercised, which comprised the exercise of 31,593,589 options as set out above (during the year ended 31 December 2020) and the exercise of 5,704,593 options for the period from the Listing Date to 31 December 2019 (due to a delayed settlement arrangement in 2019). The shares were issued at the corresponding exercise price or at nominal value of US$0.001, and the total fund raised was approximately US$1.2 million (net of tax) which will be used for general working capital.

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.

Directors' Report

(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 2020, under the Tier 1 ESOP no ordinary shares were issued.

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

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

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

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

Directors' Report

(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.

Directors' Report

(xvi) Outstanding options granted under the Tier 1 ESOP

As at 31 December 2020, options to subscribe for an aggregate of 24,699,543 Shares, representing approximately 0.81% of the issued shares of the Company, are outstanding. Details of the movement of the options and holders are set out below:

Name of Participant	held at 1 January 2020	Acquired during the Year *(Note d)*	Exercised/ cancelled during the Year	held at 31 December 2020
Executive Director				
Mr Jinchu Shen *(Notes a, c)*	3,899,928	3,899,928	–	7,799,856
Mr Charles Alexander Portes and Mr Stuart Gibson *(Note b, c)*	16,899,687	–	–	16,899,687
	20,799,615	3,899,928	–	24,699,543
WP OCIM	3,899,928	(3,899,928)	–	–
	24,699,543	–	–	24,699,543

Notes:

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

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

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

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

No further options will be issued under the Tier 1 ESOP in the future. No share options lapsed or were exercised or cancelled for the year ended 31 December 2020.

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.

Directors' Report

(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.

(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.

Directors' Report

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

Date of Grant	Exercise price	Vesting Period	At 1 January 2020	Grant during the year	Exercised during the year	Cancelled/ lapsed during the year	At 31 December 2020
Management and employees							
28 December 2020	HK$27.30	One third of the options granted will vest on each of 28 December 2021, 28 December 2022, and 28 December 2023	—	6,650,000	—	—	6,650,000
			—	6,650,000	—	—	6,650,000

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Repurchase

During the year ended 31 December 2020, the Company repurchased in March, under the repurchase mandate granted by the shareholders, a total of 536,400 shares ranging from HK$12.34 to HK$13.00 per share representing approximately 0.02% of the then issued shares for a consideration of US$0.9 million (approximately HK$6.9 million). The repurchased shares have been cancelled.

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

Redemption of Perpetual Capital Securities

By reference to the announcement of the Company dated 8 May 2020, the Company exercised the option to redeem all of the outstanding Perpetual Capital Securities on the Singapore Exchange on 7 June 2020 (the "**First Call Date**") at 100 percent of the principal amount of US$100 million together with any distribution accrued to the First Call Date. As the First Call Date was not a business day, the redemption payment with a total sum of US$104,125,000 was made on 8 June 2020 and the Perpetual Capital Securities were surrendered for cancellation thereafter.

Save as disclosed above, during the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Directors' Report

DEBENTURES ISSUED

The Group has historically financed its expansion through various instruments including fixed rate notes. In February 2020, the Group issued S$225 million 5.10% fixed rate notes due 2025 (approximately US$167 million) under its US$2.0 billion Multicurrency Debt Issuance Programme.

CONVERTIBLE BONDS ISSUED

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

The net proceeds from the Bond Issue, after deducting fees, commission and expenses payable in connection with the Bond Issue, was approximately US$345.0 million, which the Company is using for refinancing of existing borrowings, financing of potential acquisition and investment opportunities as well as the working capital requirements and the general corporate purposes of the Group. Based on the net proceeds and assuming the full conversion of the Bonds, the net price per share is approximately HK$31.67.

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

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 2020.

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 39 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 2020 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 under the Listing Rules/the related party transactions are exempt from to the reporting, announcement or independent shareholders' approval requirements under Rules 14A.76(1)(a) and (b) of the Listing Rules.

CHARITABLE DONATIONS

The charitable and other donations made by the Group for the year ended 31 December 2020 amounted to US$144,000 (2019: US$424,000).

IMPORTANT EVENT AFTER THE REPORTING PERIOD

Save for the information disclosed in note 47 to the Consolidated Financial Statements, there was no important event after the year ended 31 December 2020 and up to the date of this report.

Directors' 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 2020.

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.

AUDIT COMMITTEE

The Company's consolidated annual results for the year ended 31 December 2020 has been reviewed by the Audit Committee of the Company. Information on the work of Audit Committee and its composition are set out in the Corporate Governance Report on pages 75.

AUDITOR

Ernst & Young, Certified Public Accountants, who was re-appointed as the auditor of the Company since the last AGM, has acted as the auditor of the Company for the year ended 31 December 2020.

The Consolidated Financial Statements for the year ended 31 December 2020 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, 25 March 2021

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 117 to 222, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 US$340,243,000 and the trust management rights intangible asset with indefinite useful life of US$75,246,000, are subject to an impairment review at least annually. There was no impairment recognised in 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 including cash flow forecast, discount rate and terminal growth rate. Further disclosures on the Group's goodwill and the other intangible asset with indefinite useful life are in notes 19 and 20 to the consolidated financial statements.	We performed an understanding of the Group's process to perform the annual impairment test of goodwill and trust management rights intangible asset with indefinite useful life. We performed an understanding, and assessment of the assumptions and methodologies used by the Group in the value in use model. We involved our internal valuation specialists to evaluate the valuation methodologies and the key assumptions used by management and their independent professional valuers, such as discount rate, terminal growth rate. We assessed the reasonableness of cash flows projection and related assumptions such as the budgeted gross fee income and future management fee rates. We also assessed the Group's disclosure regarding the impairment of goodwill and the other intangible asset with indefinite useful life.
Valuation of investment properties held either directly or through joint ventures and the financial assets at fair value through profit or loss	
The Group's investments in property assets include investment properties held either directly or through joint ventures and the financial assets at fair value through profit or loss ("FVTPL"), which were subject to fair value revaluation at the end of the year. The fair value as at 31 December 2020 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 the significant judgement and estimations involved in determination of the fair value. 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 notes 15, 16, 18 and 46 to the consolidated financial statements.	We performed an understanding of the Group's process regarding the valuation of investment properties. We evaluated 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 used by management and their 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 assessed 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 the 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 an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. 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 actions taken to eliminate threats or safeguards applied.

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 Guowei, Yin.

Ernst & Young
Certified Public Accountants
Hong Kong
25 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2020

	Notes	2020 US$'000	2019 US$'000
REVENUE	4, 5	388,331	357,369
Cost of sales		(103,402)	(81,170)
Gross profit		284,929	276,199
Other income and gains, net	5	369,783	369,565
Administrative expenses		(201,680)	(198,417)
Finance costs	7	(147,414)	(180,368)
Share of profits and losses of joint ventures and associates, net		105,086	93,355
Profit before tax	6	410,704	360,334
Income tax expense	10	(95,997)	(81,934)
Profit for the year		314,707	278,400
Attributable to:			
Owners of the Company		286,466	245,177
Non-controlling interests		28,241	33,223
		314,707	278,400
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic			
For profit for the year	12	US$0.09	US$0.09
Diluted			
For profit for the year	12	US$0.09	US$0.09
Profit for the year		314,707	278,400
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		175,451	(31,566)
Share of other comprehensive income/(loss) of joint ventures and associates		68,806	(16,003)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		244,257	(47,569)
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		84,129	63,371
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		84,129	63,371
Other comprehensive income for the year, net of tax		328,386	15,802
Total comprehensive income for the year		643,093	294,202
Attributable to:			
Owners of the Company		602,960	257,406
Non-controlling interests		40,133	36,796
		643,093	294,202

Consolidated Statement of Financial Position

31 December 2020

	Notes	2020 US$'000	2019 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	31,916	31,481
Right-of-use assets	14	12,475	11,831
Investments in joint ventures and an associate	15	1,082,290	697,996
Financial assets at fair value through profit or loss	16	678,864	589,417
Financial assets at fair value through other comprehensive income	17	878,300	542,925
Investment properties	18	2,663,717	2,785,926
Goodwill	19	340,243	340,243
Other intangible assets	20	86,663	92,958
Other non-current assets	21	62,555	39,811
Deferred tax assets	28	24,261	23,554
Total non-current assets		5,861,284	5,156,142
CURRENT ASSETS			
Trade receivables	22	94,673	88,897
Prepayments, other receivables and other assets	23	209,322	129,022
Cash and bank balances	24	1,515,430	884,206
		1,819,425	1,102,125
Assets classified as held for sale		6,732	93,931
Total current assets		1,826,157	1,196,056
CURRENT LIABILITIES			
Bank and other borrowings	25	733,660	232,209
Lease liabilities	26	6,568	5,670
Trade payables, accruals and other payables	27	226,314	211,409
Income tax payable		19,120	18,431
		985,662	467,719
Liabilities directly associated with assets classified as held for sale		—	21,257
Total current liabilities		985,662	488,976
NET CURRENT ASSETS		840,495	707,080
TOTAL ASSETS LESS CURRENT LIABILITIES		6,701,779	5,863,222

Consolidated Statement of Financial Position

31 December 2020

	Notes	2020 US$'000	2019 US$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	28	280,973	211,286
Bank and other borrowings	25	2,561,618	2,338,708
Lease liabilities	26	6,825	17,486
Other non-current liabilities		47,158	44,630
Total non-current liabilities		2,896,574	2,612,110
NET ASSETS		3,805,205	3,251,112
EQUITY			
Equity attributable to owners of the Company			
Issued capital	40	3,060	3,037
Perpetual capital securities	42	—	97,379
Equity components of convertible bonds	31	48,501	—
Other reserves	43	3,544,648	2,925,838
		3,596,209	3,026,254
Non-controlling interests	32	208,996	224,858
Total equity		3,805,205	3,251,112

Mr Jeffrey David Perlman
Director

Mr Jinchu Shen
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company													
	Issued capital (note 40) US$'000	Share premium* (note 40) US$'000	Statutory reserve* (note 43) US$'000	Merger reserve* (note 43) US$'000	Share option reserve* (note 41) US$'000	Exchange fluctuation reserve* (note 43) US$'000	Retained profits* (note 43) US$'000	Investment reserve (non-recycling)* (note 43) US$'000	Equity components of convertible bonds (note 31) US$'000	Perpetual capital securities (note 42) US$'000	Other reserve* (note 43) US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As at 1 January 2020	3,037	2,042,526	1,753	56,358	25,801	(132,622)	853,224	49,580	–	97,379	29,218	3,026,254	224,858	3,251,112
Profit for the year	–	–	–	–	–	–	286,466	–	–	–	–	286,466	28,241	314,707
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	83,917	–	–	–	83,917	212	84,129
Exchange differences on translation of foreign operations	–	–	–	–	–	163,771	–	–	–	–	–	163,771	11,680	175,451
Share of other comprehensive income of joint ventures and associates	–	–	–	–	–	68,806	–	–	–	–	–	68,806	–	68,806
Total comprehensive income for the year	–	–	–	–	–	232,577	286,466	83,917	–	–	–	602,960	40,133	643,093
Transferred from retained profits	–	–	982	–	–	–	(982)	–	–	–	–	–	–	–
Profit attributable to holders of perpetual capital securities (note 42)	–	–	–	–	–	–	(4,125)	–	–	4,125	–	–	–	–
Distribution paid to holders of perpetual capital securities (note 42)	–	–	–	–	–	–	–	–	–	(4,125)	–	(4,125)	–	(4,125)
Disposal of subsidiaries	–	–	–	–	–	8,488	–	–	–	–	–	8,488	(29,008)	(20,520)
Contribution from non-controlling interests	–	–	–	–	–	–	(1,247)	–	–	–	–	(1,247)	4,350	3,103
Acquisition of non-controlling interests	–	–	–	–	–	–	(368)	–	–	–	–	(368)	(693)	(1,061)
Dividend distributions to non-controlling interests	–	–	–	–	–	–	(261)	261	–	–	–	–	(30,644)	(30,644)
Redemption of perpetual capital securities (note 42)	–	–	–	–	–	–	(1,221)	–	–	(97,379)	–	(98,600)	–	(98,600)
Issue of convertible bonds (note 31)	–	–	–	–	–	–	–	–	48,501	–	–	48,501	–	48,501
Share repurchased and cancellation	(1)	(893)	–	–	–	–	–	–	–	–	–	(894)	–	(894)
Issue of shares upon exercise of share options	24	22,502	–	–	(21,368)	–	–	–	–	–	–	1,158	–	1,158
Transfer of share option reserve upon the forfeiture of share options	–	–	–	–	(4)	–	4	–	–	–	–	–	–	–
Equity-settled share option arrangement (note 41)	–	–	–	–	14,082	–	–	–	–	–	–	14,082	–	14,082
As at 31 December 2020	3,060	2,064,135	2,735	56,358	18,511	108,443	1,131,490	133,758	48,501	–	29,218	3,596,209	208,996	3,805,205

* These reserve accounts comprise the consolidated reserves of US$3,544,648,000 in the consolidated statement of financial position as at 31 December 2020 (2019: US$2,925,838,000).

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company													
	Issued capital (note 40) US$'000	Share premium* (note 40) US$'000	Statutory reserve* (note 43) US$'000	Merger reserve* (note 43) US$'000	Share option reserve* (note 41) US$'000	Exchange fluctuation reserve* (note 43) US$'000	Retained profits* (note 43) US$'000	Investment reserve (non-recycling)* (note 43) US$'000	Equity component of redeemable convertible preference shares (note 30) US$'000	Perpetual capital securities (note 42) US$'000	Other reserve* (note 43) US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'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 and associates	–	–	–	–	–	(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 profits	–	–	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 42)	–	–	–	–	–	–	(8,250)	–	–	8,250	–	–	–	–
Distribution paid to holders of perpetual capital securities (note 42)	–	–	–	–	–	–	–	–	–	(8,250)	–	(8,250)	–	(8,250)
Acquisition of subsidiaries	–	–	–	–	–	–	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)
Dividend distribution to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(81,003)	(81,003)
Issue of new shares pursuant to Global Offering (note 40)	280	601,004	–	–	–	–	–	–	–	–	–	601,284	–	601,284
Share issue expenses (note 40)	–	(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 option reserve upon the forfeiture of share options	–	–	–	–	(15)	–	15	–	–	–	–	–	–	–
Equity-settled share option arrangement (note 41)	–	–	–	–	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

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 US$'000	2019 US$'000
Cash flows from operating activities			
Profit before tax		410,704	360,334
Adjustments for:			
Solar insurance compensation		—	(1,586)
Depreciation of property, plant and equipment	6	3,275	4,660
Amortisation of other intangible assets	6	7,635	6,867
Depreciation of right-of-use assets	6	6,231	4,836
Fair value gains on financial assets and financial liabilities at fair value through profit or loss	5	(50,963)	(74,290)
Fair value gains on investment properties under construction	5	(170,963)	(157,515)
Fair value gains on completed investment properties	5	(53,717)	(68,568)
Loss on disposal of items of property, plant and equipment	6	75	703
Share of profits and losses of joint ventures and associates, net		(105,086)	(93,355)
Dilution of interests in investment in a joint venture and financial assets at fair value through profit or loss	5	2,718	—
Equity-settled share option expense	6	14,082	18,469
Gain on remeasurement of investment in an associate to fair value	5	—	(8,556)
Gain on disposal of subsidiaries	5	(4,675)	(16,495)
Gain on disposal of investment properties	5	(16,848)	—
Gain on disposal of other assets	5	(12,347)	—
Finance costs	7	147,414	180,368
Interest income	5	(4,082)	(7,974)
Dividend income	5	(56,453)	(33,599)
		117,000	114,299
Increase in trade receivables		(9,554)	(29,668)
Decrease/(Increase) in prepayments, other receivables and other assets		6,900	(15,281)
(Decrease)/Increase in trade payables, accruals and other payables		(9,259)	18,426
Cash flows generated from operations		105,087	87,776
Income tax paid		(19,278)	(31,839)
Net cash flows generated from operating activities		85,809	55,937

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 US$'000	2019 US$'000
Cash flows from investing activities			
Purchases of property, plant and equipment		(2,568)	(15,350)
Disposal of property, plant and equipment		434	33
Additions of other intangible assets	20	(210)	(918)
Additions of investment properties		(311,391)	(462,037)
Disposal of investment properties		364,028	217,672
Prepayments for acquiring land use rights		(10,360)	(4,297)
Purchase of financial assets at fair value through profit or loss		(129,833)	(165,155)
Dividend income from financial assets at fair value through profits or loss		34,898	14,248
Distribution from financial assets at fair value through profits or loss		71,748	106,388
Proceeds from sale of financial assets at fair value through profit or loss		11,263	—
Purchase of financial assets designated at fair value through other comprehensive income		(224,555)	(85,247)
Dividend income from financial assets designated at fair value through other comprehensive income		15,850	20,319
Disposal of financial assets at fair value through other comprehensive income		—	100,941
Acquisition of subsidiaries	33	(48,558)	(546,032)
Disposal of subsidiaries	35	136,524	193,324
Capital injection in joint ventures		(161,201)	(145,422)
Proceeds from sale of interests in an associate		84,619	—
Proceeds from other financial instruments		1,494	—
Purchase of other investment		(3,491)	(7,530)
Dividend income from associates		—	4,221
Addition to investments in associates		—	(126)
Advances to related parties		(100,371)	(3,824)
Repayments from a joint venture	35	109,935	—
Loan to directors of the Company		(9,200)	—
Proceeds from disposal of other assets		20,540	—
Release of non-pledged fixed time deposits with a maturity period over three months		881	15,318
Increase in non-pledged fixed time deposits with a maturity period over three months		(2,312)	(881)
Interest received		3,680	7,974
Net cash flows used in investing activities		(148,156)	(756,381)

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 US$'000	2019 US$'000
Cash flows from financing activities			
Proceeds from bank and other borrowings	29	992,998	2,079,976
Repayments of bank and other borrowings	29	(399,681)	(1,217,314)
Interest of bank and other borrowings paid	29	(147,145)	(122,887)
Proceeds from issuance of convertible bonds, net of transaction costs	31	345,041	—
Increase in restricted cash		(38,403)	(2,766)
Release of restricted cash		—	1,022
Proceeds from exercise of employees share options		1,158	—
Share repurchased		(894)	—
Acquisition of non-controlling interests		—	(5,308)
Capital contribution from non-controlling interests		3,103	68,386
Dividend paid to non-controlling interests		(29,482)	(81,003)
Distribution paid to holders of perpetual capital securities	42	(4,125)	(8,250)
Redemption of perpetual capital securities, net		(98,600)	—
Increase in pledged bank deposits for bank loans		(3,809)	(1,089)
Proceeds from issue of shares		—	601,284
Share issue expenses		—	(11,958)
Redemption of redeemable convertible preference shares	30	—	(228,000)
Interest of redeemable convertible preference shares paid	30	—	(39,010)
Repayments to related parties		—	(2,166)
Principal portion of lease payments	29	(6,834)	(6,478)
Net cash generated from financing activities		613,327	1,024,439
Net increase in cash and cash equivalents		550,980	323,995
Cash and cash equivalents at beginning of year		826,682	502,056
Effect of foreign exchange rate changes, net		26,406	631
Cash and cash equivalents at end of year		1,404,068	826,682
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		1,515,430	884,206
Non-pledged fixed time deposits with a maturity period over three months	24	(2,312)	(881)
Restricted bank balances	24	(59,441)	(21,038)
Pledged bank deposits	24	(49,609)	(45,800)
Cash and short term deposits attributable to the disposal group held for sales		—	10,195
Cash and cash equivalents as stated in the consolidated statement of cash flows		1,404,068	826,682

Notes to the Consolidated Financial Statements

31 December 2020

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. With effect from 1 February 2021, the registered office of the Company changed to Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1–9008, Cayman Islands.

The Company and its subsidiaries (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 2020, 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 Direct	Indirect	Principal activities
Shanghai e-Shang Warehousing Services Co., Ltd.	China 8 July 2011	RMB109,090,909	–	100%	Investment and management
Dongguan Huishang E-commerce Services Co., Ltd.	China 21 December 2011	US$20,000,000	–	100%	Warehousing business
Langfang Weidu International Logistics Co., Ltd.	China 15 March 2011	US$24,000,000	–	100%	Warehousing business
Jiangsu Friend Warehousing Co., Ltd.	China 14 August 2003	RMB371,320,077	–	100%	Warehousing business
Dongguan Hongshang Warehousing Services Co., Ltd.	China 24 June 2013	US$63,000,000	–	100%	Warehousing business
Tianjin Fanbin Warehousing Service Co., Ltd.	China 22 August 2013	US$29,200,000	–	100%	Warehousing business
ESR Kendall Square, Inc. (formerly known as Kendall Square Logistics Properties, Inc.)	South Korea 16 December 2014	KRW34,000,000,000	–	100%	Investment and management
Redwood Asian Investments Ltd ("**RAIL**")	Cayman Islands 5 August 2013	US$100	100%	–	Investment holding
ESR Singapore Pte. Ltd.	Singapore 27 November 2007	US$1	100%	–	Investment and management
ESR Ltd	Japan 8 May 2006	JPY466,970,000	–	100%	Investment and management
Sunwood Singapore Holding Pte. Ltd.	Singapore 24 December 2014	US$227,385,489	–	95%	Investment and management
ESR Pte. Ltd.	Singapore 26 May 2017	A$308,885,207	95.5%	–	Investment holding
e-Shang Infinity Cayman Limited	Cayman Islands 30 September 2015	US$35,243,934	–	100%	Investment holding
RW Higashi Ogishima TMK ("**Higashi**")	Japan 18 March 2016	JPY5,000,000	–	70%	Warehousing business

Notes to the Consolidated Financial Statements

31 December 2020

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	S$64,714,500	–	67.3%	Investment and management
ESR Property Management (S) Pte. Ltd.	Singapore 4 November 2005	S$250,000	–	100%	Investment and management
Shanghai Yurun Meat Food Co., Ltd.	China 3 June 2010	RMB650,000,000	–	74%	Warehousing business
Summit (BVI) Limited	BVI 24 February 2012	US$1	100%	–	Investment and management
Tianjin Fanxin Warehousing Service Co., Ltd.	China 17 June 2014	US$16,500,000	–	90%	Warehousing business
Shenyang Yibei Warehousing Service Co., Ltd.	China 8 December 2015	US$15,000,000	–	100%	Warehousing business
Kendall Square Asset Management, Inc.	South Korea 1 September 2016	KRW2,500,000,000	–	100%	Investment and management
ESR HK Management Limited	Cayman Islands 29 June 2018	US$100	100%	–	Investment holding
Propertylink Trust	Australia 29 June 2016	A$102,627,759	–	92.2%	Investment and management
ESR Asset Management (Holdings) Limited	Australia 3 May 2000	A$91,370,012	–	92.2%	Investment and management
ESR Sachiura 3 TMK	Japan 11 January 2019	JPY5,000,000	–	100%	Asset holding
ESR Sachiura 4 TMK	Japan 11 January 2019	JPY5,000,000	–	100%	Asset holding
Lekun Warehousing (Wuxi) Co., Ltd.	China 5 November 2014	US$13,900,000	–	100%	Warehousing business
Chongqing Yongxiang Warehouse Co., Ltd.	China 15 November 2010	US$40,000,000	–	100%	Warehousing business
Jurong Xiexin Yuncang Technology Co., Ltd.	China 9 February 2017	US$32,020,300	–	100%	Warehousing business
RW Investor (Kuki) Ltd.	Cayman Islands 11 April 2016	US$ 1	–	100%	Investment holding
ESR Queensland Hold Trust	Australia 29 June 2018	N/A	–	92.2%	Investment holding discretionary trust
ESR India Investment Holdings Pte. Ltd.	Singapore 8 September 2017	S$1	–	100%	Investment holding

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 excessive length.

Notes to the Consolidated Financial Statements

31 December 2020

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IAS**") and Interpretations) issued by the International Accounting Standards Board (the "**IASB**"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through other comprehensive income, and financial assets and liabilities at fair value through profit or loss, which have been measured at fair value. Non-current assets held for sale are stated at the lower of their carrying amount and fair values less cost to sell as further explained in note 2.4. These financial statements are presented in US dollars, with values rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Group. 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 owners 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.

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.

Notes to the Consolidated Financial Statements

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) 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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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 did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

Notes to the Consolidated Financial Statements

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any impact on the financial position and performance of the Group.

(e) 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, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not adopted the following new and revised IFRSs, that have been issued but not yet effective, in the financial statements:

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*[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*[3]
Amendments to IFRS 17	*Insurance Contracts*[3,5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[2]
Amendments to IAS 1	*Disclosure of Accounting Policies*[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[3]
Annual Improvements to IFRS Standards 2018–2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

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2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank and other borrowings denominated in foreign currencies based on the London Interbank Offered Rate, and the Tokyo Interbank Offered Rate as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

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 previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

Notes to the Consolidated Financial Statements

31 December 2020

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

The amendments to IAS 1 replace the requirement to disclose "significant" accounting policies with a requirement to disclose "material" accounting policies. "Material" is a defined term in IFRS and is widely understood by the users of financial statements. Material accounting policy information is defined as "Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements." in paragraph 117 of IAS 1. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. In some circumstances, standardised accounting policy information may be needed for users to understand other material information in the financial statements. In those situations, standardised accounting policy information is material, and should be disclosed. Moreover, references to measurement basis are removed. The amendments to IAS 1 will be effective for annual periods starting on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Notes to the Consolidated Financial Statements

31 December 2020

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Amendments to IAS 8 clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. To clarify the interaction between an accounting policy and an accounting estimate, paragraph 32 of IAS 8 has been amended to state that: "An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such cases, an entity develops an accounting estimate to achieve the objective set out by the accounting policy". Accounting estimates are now defined as monetary amounts in financial statements that are subject to measurement uncertainty. Accounting estimates typically involve the use of judgements or assumptions based on the latest available reliable information. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such cases, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments become effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Standards 2018–2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- *IFRS 9 Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- *IFRS 16 Leases:* removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16. The amendment is not expected to have a significant impact on the Group's financial statements.

Notes to the Consolidated Financial Statements

31 December 2020

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.

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.

Notes to the Consolidated Financial Statements

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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.

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.

Notes to the Consolidated Financial Statements

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2020 and 2019. 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.

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 2020 and 2019.

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.

Notes to the Consolidated Financial Statements

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at 31 December 2020 and 2019 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.

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 2020

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 2020

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) 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.

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other intangible assets (other than goodwill) (continued)

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.

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.

Notes to the Consolidated Financial Statements

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Notes to the Consolidated Financial Statements

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

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.

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.

Notes to the Consolidated Financial Statements

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

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.

Notes to the Consolidated Financial Statements

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

General approach (continued)

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

The Group considers a financial asset in default when contractual payments are 150 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at 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 2020

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 convertible bond.

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.

Notes to the Consolidated Financial Statements

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Convertible bond and redeemable convertible instruments

The component of convertible bond and 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 convertible bond and 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 convertible bond and 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 convertible bond and 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 2020

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 cancelled, 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 2020

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 2020 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.

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 2020, 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 2020 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.

Deferred tax assets are recognised for all deductible temporary differences, and 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, and 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.

Notes to the Consolidated Financial Statements

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at 31 December 2020 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 2020 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, for which it is intended to compensate, are expensed.

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.

Notes to the Consolidated Financial Statements

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Management fee income (continued)

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 relates to income earned in relation to real estate investment funds where the returns of the real asset investment funds exceed certain specified hurdles. Promote fee is recognized on the date that the Group's right to receive payment is established.

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.

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.

Notes to the Consolidated Financial Statements

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 2020 and 2019 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 cancelled, 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 cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled 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.

Notes to the Consolidated Financial Statements

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

The employees of the Group's subsidiaries which operate in China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or 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.

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. 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.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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.

Notes to the Consolidated Financial Statements

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

The Company's functional currency is US dollars. 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 2020. 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).

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 US dollars. As at 31 December 2020, the assets and liabilities of these entities were translated into the presentation currency of the Company at the exchange rates prevailing at 31 December 2020 and their statements of profit or loss are translated into US dollars 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 US dollars 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 US dollars at the weighted average exchange rates for the year.

Notes to the Consolidated Financial Statements

31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, 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 judgements, 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.

Deferred tax liabilities for withholding tax

Pursuant to China Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in China (A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors). As at 31 December 2020 and 2019, 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 China. No deferred taxation has been provided for the distributable retained profits of approximately US$20,671,000 as at 31 December 2020 (2019: US$11,758,000), which were derived from China 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 2020, deferred tax liabilities amounting to US$246,799,000 (2019: US$178,353,000) 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 28.

Notes to the Consolidated Financial Statements

31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Judgement (continued)

Consolidation of structured entities

Management makes significant judgement 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.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at 31 December 2020, 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 2020 was US$340,243,000 (2019: US$340,243,000). Further details are given in note 19.

Provision for expected credit losses on trade receivables, other receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables, other receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

Notes to the Consolidated Financial Statements

31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables, other receivables and contract assets (continued)

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade receivables, other receivables and contract assets is disclosed in note 22 and note 23 to the financial statements, respectively.

Fair value of investment properties held either directly or through joint ventures, associate and financial assets at fair value through profit or loss

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.

Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 18 and 46 to the consolidated 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, with reference to the current fair value of another instrument that is substantially the same, or discounted cash flow analyses 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.

Notes to the Consolidated Financial Statements

31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Estimation uncertainty (continued)

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 2020. Other intangible assets with indefinite lives 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.

4. OPERATING SEGMENT INFORMATION

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

(a) Investment segment is divided into three main categories: (i) properties that the Group holds on balance sheet, from which the Group derives total return, including rental income and appreciation in value, (ii) co-investments funds and investment vehicles and the REIT the Group manages, from which the Group derives dividend income, pro rata earnings and/or pro rata value appreciation, and (iii) other investments.

(b) Fund management segment earns fee income for managing assets on behalf of the Group's capital partners via funds and investment vehicles. Fees include base management fees, asset fund management fees, acquisition fees, development fees and leasing fees, as well as promote fees upon reaching or exceeding certain target internal rates of return and after the Group's capital partners have received their targeted capital returns.

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, exchange differences, depreciation and amortisation, equity-settled share option expense 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 2020			
	Investment US$'000	Fund management US$'000	Development US$'000	Total US$'000
Segment revenue	106,893	189,278	92,160	388,331
— Intersegment sales	–	288	–	288
	106,893	189,566	92,160	388,619
Reconciliation:				
Elimination of intersegment sales	–	(288)	–	(288)
Revenue from continuing operations	106,893	189,278	92,160	388,331
Operating expenses	(33,150)	(41,680)	(119,121)	(193,951)
Fair value gains on investment properties	53,717	–	170,963	224,680
Changes in fair value of financial assets and liabilities at fair value through profit or loss	5,639	–	45,324	50,963
Share of profits and losses of joint ventures and associates	40,041	–	65,045	105,086
Gain on disposal of subsidiaries	(724)	–	5,399	4,675
Dilution of interests in investment in a joint venture and financial assets at fair value through profit or loss	(398)	–	(2,320)	(2,718)
Gain on disposal of investment properties	(2,533)	–	19,381	16,848
Gain on disposal of other assets	–	–	12,347	12,347
Dividend income	56,453	–	–	56,453
Segment result	225,938	147,598	289,178	662,714
Reconciliation:				
Depreciation and amortisation				(17,141)
Exchange loss				(5,425)
Interest income				4,082
Finance costs				(147,414)
Equity-settled share option expense				(14,082)
Other unallocated gains				2,453
Corporate and other unallocated expenses				(74,483)
Profit before tax from continuing operations				410,704
Other segment information:				
Depreciation and amortisation				(17,141)
Capital expenditure*				488,561
Investments in joint ventures and an associate				1,082,290

Notes to the Consolidated Financial Statements

31 December 2020

4. OPERATING SEGMENT INFORMATION (continued)

	Year ended 31 December 2019			
	Investment US$'000	Fund management US$'000	Development US$'000	Total US$'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 ventures and associates	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
Finance costs				(180,368)
Equity-settled share option expense				(18,469)
Other unallocated gains				11,124
Corporate and other unallocated expenses				(75,147)
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

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

Notes to the Consolidated Financial Statements

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4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2020 US$'000	2019 US$'000
China	95,455	89,556
Japan	73,368	82,213
South Korea	48,601	44,415
Singapore	23,055	21,895
Australia	141,227	117,108
India	6,625	2,182
	388,331	357,369

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

(b) Non-current assets

	2020 US$'000	2019 US$'000
China	2,689,699	1,862,772
Japan	709,965	958,131
South Korea	406,779	281,705
Singapore	126,478	137,885
Australia	289,626	721,024
India	57,301	38,729
Indonesia	11	–
	4,279,859	4,000,246

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 2020 and 2019, 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, NET

(a) Revenue

An analysis of revenue is as follows:

	2020 US$'000	2019 US$'000
Rental income from investment property operating leases (note (i))	101,402	118,042
Management fee income	189,278	166,721
Construction income	92,160	69,858
Solar energy income	5,491	2,748
Total	388,331	357,369

Timing of revenue recognition

	2020 US$'000	2019 US$'000
Rental income from investment property operating leases	101,402	118,042
Point in time		
Management fee income	54,024	59,627
Over time		
Management fee income	135,254	107,094
Construction income	92,160	69,858
Solar energy income	5,491	2,748
	388,331	357,369

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 fee, leasing fees and promote fee, the performance obligation is satisfied at a point in time upon the successful acquisition of properties, carrying out leasing services and reaching the performance target, as the customers only receive and consume the benefits provided by the Group upon successful acquisition, provision of leasing services and reaching or exceeding certain internal rate of return target.

Notes to the Consolidated Financial Statements

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5. REVENUE, OTHER INCOME AND GAINS, NET (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 amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 and 2019 are as follows:

	2020 US$'000	2019 US$'000
Within one year	44,254	77,794

The amounts of transaction prices allocated to the remaining performance obligations relate to construction services that are normally to be satisfied within one year, of which the amounts disclosed above do not include variable consideration which is constrained; and promote fee relates to management services to which management has exercised judgement in applying constraint on the recognition of the promote fee income.

(b) Other income and gains, net

	Notes	2020 US$'000	2019 US$'000
Fair value gains on completed investment properties	18	53,717	68,568
Fair value gains on investment properties under construction	18	170,963	157,515
Changes in fair value of financial assets and liabilities at fair value through profit or loss		50,963	74,290
Gain on disposal of subsidiaries	35	4,675	16,495
Gain on disposal of investment properties		16,848	–
Gain on disposal of other assets		12,347	–
Gain on remeasurement of an investment in an associate to fair value		–	8,556
Dilution of interests in investment in a joint venture and financial assets at fair value through profit or loss		(2,718)	–
Dividend income		56,453	33,599
Interest income		4,082	7,974
Others		2,453	2,568
		369,783	369,565

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6. PROFIT BEFORE TAX

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

(a) Employee benefit expense

	2020 US$'000	2019 US$'000
Wages and salaries (including directors' and chief executive's remuneration)	98,832	84,123
Equity-settled share option expense (note 41)	14,082	18,469
Pension scheme contributions	5,442	5,530
	118,356	108,122

(b) Other items

	Notes	2020 US$'000	2019 US$'000
Construction cost*		91,674	68,167
Other tax expenses		12,017	6,725
Professional service fee		22,365	37,560
Auditor's remuneration:			
– audit services		2,426	4,903
– non-audit services		1,044	1,383
Exchange losses		5,425	1,111
Entertainment fee		2,339	2,367
Depreciation of property, plant and equipment	13	3,275	4,660
Amortisation of other intangible assets	20	7,635	6,867
Depreciation of right-of-use assets	14	6,231	4,836
Loss on disposal of items of property, plant and equipment		75	703

* The construction costs for the years ended 31 December 2020 and 2019 are included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

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7. FINANCE COSTS

	2020 US$'000	2019 US$'000
Interest expense on bank loans	84,766	85,244
Interest expense on other borrowings (note (i))	5,005	21,616
Interest expense on bonds	60,530	37,507
Interest expense on convertible bonds	1,334	–
Interest accretion on convertible bonds (note (ii))	2,457	–
Interest expense on lease liabilities	1,591	1,897
Interest on redeemable convertible preference shares (note (iii))	–	37,865
	155,683	184,129
Less: Interest capitalised	(8,269)	(3,761)
	147,414	180,368

Notes:

(i) Interest expense on other borrowings for the year ended 31 December 2019 included an interest expense of US$17,722,000 relating to the US$300 million Hana Notes. The Company had fully repaid Hana Notes on 6 November 2019.

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

(iii) Related to dividend on redeemable convertible preference shares ("C Preference Shares") of US$9,932,000, and costs associated with the equity element of the C Preference Shares of US$27,933,000. C Preference Shares that were not converted were fully redeemed on 6 November 2019.

8. DIRECTORS' AND CHIEF EXECUTIVES' 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:

	2020 US$'000	2019 US$'000
Directors' fees	5,770	70
Other emoluments:		
Consulting fees (note (i))	–	6,392
Salaries, allowances and benefits in kind	2,700	1,511
Equity-settled share option expense (note (ii))	5,408	5,333
Pension scheme contributions	–	15
	8,108	13,251
	13,878	13,321

Notes:

(i) Paid to Redwood Consulting (Cayman) Limited ("Redwood Consulting") and other entities that are associated with the executive directors.

(ii) Granted to Redwood Consulting and an entity associated with Mr. Jinchu Shen.

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8. DIRECTORS' AND CHIEF EXECUTIVES' 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 41 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.

Directors' fees paid to independent non-executive directors during the year were as follows:

	2020 US$'000	2019 US$'000
Mr Brett Harold Krause	77	15
Mr Robin Tom Holdsworth	65	12
The Right Honourable Sir Hugo George William Swire, KCMG	78	15
Mr Simon James McDonald	85	16
Ms Jingsheng Liu (劉京生)	65	12
	370	70

There were no other emoluments payable to the independent non-executive directors during the year.

(b) Executive directors and non-executive directors

2020	Directors' fees US$'000	Salaries, allowances and benefits-in-kind US$'000	Equity-settled share option expenses US$'000	Total US$'000
Executive directors:				
Mr Jinchu Shen (沈晉初)	1,800	1,350	–	3,150
Mr Stuart Gibson	1,800	1,350	–	3,150
Mr Charles Alexander Portes (note (iii))	1,800	–	–	1,800
	5,400	2,700	–	8,100
Entities associated with the executive directors:				
Entity associated with Mr Jinchu Shen	–	–	1,014	1,014
Redwood Consulting	–	–	4,394	4,394
	–	–	5,408	5,408
Non-executive directors:				
Mr Jeffrey David Perlman	–	–	–	–
Mr Zhenhui Wang (王振輝) (note (iv))	–	–	–	–
Mr Joseph Raymond Gagnon (note (i))	–	–	–	–
Mr Ho Jeong Lee (note (ii))	–	–	–	–
	–	–	–	–
	5,400	2,700	5,408	13,508

Notes to the Consolidated Financial Statements

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8. DIRECTORS' AND CHIEF EXECUTIVES' REMUNERATION (continued)

(b) Executive directors and non-executive directors (continued)

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 position in connection with the management of the affairs of any member of the Group during the year.

Notes:

(i) Mr Joseph Raymond Gagnon resigned on 23 August 2020.

(ii) Mr Ho Jeong Lee resigned on 31 December 2020.

(iii) Mr Charles Alexander Portes is re-designated as a non-executive Director with effect from 1 January 2021.

(iv) Mr Zhenhui Wang resigned on 15 January 2021.

2019	Fees US$'000	Salaries, allowances and benefits-in-kind US$'000	Equity-settled share option expenses US$'000	Pension scheme contributions US$'000	Total US$'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 Zhenhui Wang (王振輝)	–	–	–	–	–
Mr Joseph Raymond Gagnon	–	–	–	–	–
Mr Ho Jeong Lee	–	–	–	–	–
	–	–	–	–	–
	6,392	1,511	5,333	15	13,251

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 position in connection with the management of the affairs of any member of the Group during the year.

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2019: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2019: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 US$'000	2019 US$'000
Salaries, allowances and benefits-in-kind	2,378	2,294
Equity-settled share option expense	437	1,158
Pension scheme contributions	46	15
	2,861	3,467

The numbers of non-director highest paid employees whose remuneration fell within the following bands are as follows:

	Number of employees	
	2020	2019
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 41 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.

10. INCOME TAX EXPENSE

	2020 US$'000	2019 US$'000
Current tax	32,978	40,903
Deferred tax (note 28)	63,019	41,031
	95,997	81,934

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.

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10. INCOME TAX EXPENSE (continued)

During the year, Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the assessable profits arising in Hong Kong.

During the year, the subsidiaries incorporated in China are subject to China income tax at the rate of 25% (2019: 25%).

Taxes on estimated assessable profits elsewhere were calculated at the rates of taxation prevailing in the respective 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:

	2020 US$'000	2019 US$'000
Profit before tax	410,704	360,334
Tax at the statutory tax rates	104,524	84,280
Profits attributable to joint ventures and associates	(16,423)	(15,012)
Income not subject to tax	(11,278)	(11,824)
Non-deductible expenses	4,448	3,077
Effect of withholding tax	9,891	17,727
Unrecognised deductible temporary differences	95	1,109
Adjustment of current tax of previous periods	1,275	(257)
Utilisation of tax losses not recognised in previous periods	(27)	(4,516)
Tax losses not recognised	3,659	7,345
Others	(167)	5
Tax charge	95,997	81,934

During the year, the share of tax attributable to joint ventures and associates of US$16,423,000 (2019: US$15,012,000) is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss and other comprehensive income.

11. DIVIDENDS

No dividend has been paid or declared by the Company during the year (2019: nil).

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

Basic earnings per share are calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year. The weighted average number of ordinary shares of 3,046,966,000 (2019: 2,750,966,000) 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 convertible bonds, 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:

	2020 US$'000	**2019 US$'000**
Earnings:		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	286,466	245,177

	2020 '000	**2019 '000**
Number of shares:		
Weighted average number of ordinary shares in issue, used in the basic earnings per share calculation	3,046,966	2,750,966
Effect of dilution — weighted average number of ordinary shares:		
Share options	43,905	70,831
	3,090,871	2,821,797

Because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the year ended 31 December 2020 and were ignored in the calculation of diluted earnings per share.

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13. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles US$'000	Machinery US$'000	Leasehold improvements US$'000	Others US$'000	Total US$'000
31 December 2020					
At 1 January 2020:					
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
At 1 January 2020, net of accumulated depreciation	367	26,546	1,329	3,239	31,481
Additions	1	372	741	1,454	2,568
Disposals	(256)	–	(2)	(251)	(509)
Depreciation provided during the year	(70)	(1,521)	(367)	(1,317)	(3,275)
Exchange realignment	1	1,438	98	114	1,651
At 31 December 2020, net of accumulated depreciation	43	26,835	1,799	3,239	31,916
At 31 December 2020:					
Cost	318	30,502	3,928	8,589	43,337
Accumulated depreciation	(275)	(3,667)	(2,129)	(5,350)	(11,421)
Net carrying amount	43	26,835	1,799	3,239	31,916
31 December 2019					
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	54	–	166	182	402
Disposals	(18)	(611)	(22)	(15)	(666)
Disposal of subsidiaries	–	–	–	(2)	(2)
Depreciation provided during the year	(193)	(1,069)	(1,606)	(1,792)	(4,660)
Reclassification to assets 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

At 31 December 2020, certain of the Group's property, plant and equipment with a carrying amount of US$26,835,000 (2019: US$26,546,000) were pledged to secure certain bank and other borrowings of the Group as disclosed in note 25.

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14. RIGHT-OF-USE ASSETS

	Office premises US$'000	Equipment US$'000	Total US$'000
31 December 2020			
At 1 January 2020:			
Cost	18,715	3,314	22,029
Accumulated depreciation	(9,872)	(326)	(10,198)
Net carrying amount	8,843	2,988	11,831
At 1 January 2020, net of accumulated depreciation	8,843	2,988	11,831
Additions	6,351	–	6,351
Depreciation provided during the year	(6,062)	(169)	(6,231)
Disposal	(1)	–	(1)
Exchange realignment	365	160	525
At 31 December 2020, net of accumulated depreciation	9,496	2,979	12,475
At 31 December 2020:			
Cost	23,049	3,498	26,547
Accumulated depreciation	(13,553)	(519)	(14,072)
Net carrying amount	9,496	2,979	12,475
31 December 2019			
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	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

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15. INVESTMENTS IN JOINT VENTURES AND AN ASSOCIATE

	As at 31 December 2020 US$'000	As at 31 December 2019 US$'000
Share of net assets from joint ventures	942,680	697,994
Share of net assets from an associate	86,754	–
Goodwill on retaining interests in joint ventures	2	2
	1,029,436	697,996
Shareholder's loan to a joint venture	52,854	–
	1,082,290	697,996

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

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

			Percentage of				
Name	Share capital	Place of registration and business	Ownership interest	Voting power	Profit sharing	Principal activities	Classified as investment in
e-Shang Star Cayman Limited ("e-Shang Star")	US$5,434,651	Cayman Islands	25.62%	33.33%	25.62%	Investment holding	Joint venture
Sunwood Star Pte. Ltd. ("Sunwood Star")	US$483,099,045	Singapore	20.00%	33.33%	20.00%	Investment holding	Joint venture
ESR GIC Limited ("ESR-GIC")	US$378	British Virgin Islands	51.00%	50.00%	51.00%	Investment holding	Joint venture
ESR Australia Logistics Partnership ("EALP")	A$529,500,000	Australia	20.00%	20.00%	20.00%	Investment holding	Associate

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

Unanimous agreements of all joint venture parties are required for investment in joint ventures.

Investments in joint ventures and associate with a carrying amount of US$115,899,000 (2019: nil) were pledged to secure certain bank and other borrowings of the Group (note 25).

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15. INVESTMENTS IN JOINT VENTURES AND AN ASSOCIATE (continued)

The following table illustrates the summarised financial information in respect of material joint ventures and associate adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	e-Shang Star US$'000	Sunwood Star US$'000	ESR-GIC US$'000	EALP US$'000
31 December 2020				
Cash and bank balances	114,664	514,457	31,422	9,934
Other current assets	43,924	177,008	8,719	30,130
Current assets	158,588	691,465	40,141	40,064
Non-current assets	1,809,058	1,655,461	209,928	843,975
Financial liabilities, excluding trade and other payables	(96,175)	(6,385)	(23,410)	(953)
Other current liabilities	(707)	(44,508)	(12)	(7,421)
Current liabilities	(96,882)	(50,893)	(23,422)	(8,374)
Non-current financial liabilities, excluding trade and other payables	(498,972)	(240,604)	(7,530)	(441,896)
Other non-current liabilities	(218,479)	(143,628)	(3,719)	–
Non-current liabilities	(717,451)	(384,232)	(11,249)	(441,896)
Net assets	1,153,313	1,911,801	215,398	433,769
Proportion of the Group's ownership	25.62%	20.00%	51.00%	20.00%
Carrying amount of the investment	282,144	381,700	108,415	86,754
Revenue	74,345	57,790	510	68,633
Interest income	322	7,155	–	434
Interest expenses	(22,172)	(15,467)	(2,073)	(8,317)
Tax	(27,156)	(51,041)	(2,685)	–
Profit for the year	65,971	335,911	7,295	44,402
Total comprehensive income for the year	65,971	448,669	7,295	44,402

Notes to the Consolidated Financial Statements

31 December 2020

15. INVESTMENTS IN JOINT VENTURES AND AN ASSOCIATE (continued)

	e-Shang Star US$'000	Sunwood Star US$'000
31 December 2019		
Cash and bank balances	115,117	30,986
Other current assets	43,527	177,900
Current assets	158,644	208,886
Non-current assets	1,480,296	1,719,620
Financial liabilities, excluding trade and other payables	(90,013)	(21,556)
Other current liabilities	(372)	(3,361)
Current liabilities	(90,385)	(24,917)
Non-current financial liabilities, excluding trade and other payables	(357,497)	(375,015)
Other non-current liabilities	(174,610)	(140,242)
Non-current liabilities	(532,107)	(515,257)
Net assets	1,016,448	1,388,332
Proportion of the Group's ownership	25.62%	20.00%
Carrying amount of the investment	248,563	277,020
Revenue	63,868	36,685
Interest income	384	6,263
Interest expenses	(20,621)	(12,814)
Tax	(30,318)	(56,411)
Profit for the year	80,492	295,759
Total comprehensive income for the year	43,698	263,109

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2020 US$'000	2019 US$'000
Share of the joint ventures' profit for the year	18,655	14,064
Share of the joint ventures' total comprehensive income/(loss) for the year	40,292	(2,641)
Aggregate carrying amount of the Group's investments in the joint ventures	223,277	172,413

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16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2020 US$'000	As at 31 December 2019 US$'000
Unquoted equity interests, at fair value[i]	678,864	589,417

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 ventures using the equity method if the Group acts as the investment fund manager. 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.

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

Name of associates and joint ventures	Principal activity	Country of incorporation/ registration	Effective ownership interest As at 31 December 2020 %	2019 %
Jiangsu Yitian Warehousing Service Co., Ltd.	Warehousing business	China	16.25	16.25
Shanghai Fengyuan Logistic Co., Ltd.	Warehousing business	China	16.25	16.25
Taicang Mingzhan Logistics Company Limited	Warehousing business	China	16.25	16.25
Shanghai Yiyuan Equity Investment Fund Partnership (Limited Partnership)	Investment holding	China	9.99	9.99
ESR 21 TMK	Asset holding	Japan	37.26	37.26
Viper GK	Asset holding	Japan	47.37	–
RW Midori-Ku Pte. Ltd.	Investment holding	Singapore	40.00	40.00
ESR Japan Core Fund Limited Partnership	Investment holding	Singapore	24.40	29.10
Baraki 3 Pte. Ltd.	Investment holding	Singapore	9.88	9.88
Redwood Amagasaki Pte. Ltd.	Investment holding	Singapore	16.70	16,70
RW Chigasaki Pte. Ltd.	Investment holding	Singapore	20.10	20.10
RW Toda Pte. Ltd.	Investment holding	Singapore	20.10	20.10
RW Sachiura Pte. Ltd.	Investment holding	Singapore	7.14	7.14
RW HO A Pte. Ltd.	Investment holding	Singapore	14.30	–
RW Ukishima Pte. Ltd.	Investment holding	Singapore	14.30	–
ESR India Logistics Fund Pte. Ltd.[ii]	Investment holding	Singapore	50.00	100.00
Kendall Square Terra Professional Investment Type Private Placement Real Estate Investment Trust No. 1	Investment holding	South Korea	9.40	9.40

Note:

(ii) On 10 June 2020, ESR India Logistics Fund Pte. Ltd. completed 50% share allotment to the other joint venture partner.

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17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December 2020 US$'000	As at 31 December 2019 US$'000
Listed equity investments, at market value	878,300	542,925

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

During the year, the Group recognised gain arising from its listed equity investments amounted to US$84,129,000 (2019: US$63,371,000) in other comprehensive income.

During the year, the Group recognised dividend income in respect of its listed equity investments amounted to US$20,268,000 (2019: US$19,351,000) in the statement of profit or loss.

The listed equity investments comprise the following:

Listed on	Fair value as at 31 December 2020 US$'000
Australian Securities Exchange ("ASX")	
• Investment A	205,051
Hong Kong Exchanges and Clearing Limited ("HKEX")	
• Investment B	358,513
Singapore Exchange Securities Trading Limited ("SGX")	
• Investment C	103,263
• Investment D	87,228
• Investment E	58,730
Korea Exchange ("KRX KOSPI")	
• Investment F	65,515

As at 31 December 2020, the above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

Listed equity investments at market value with a fair value of US$294,799,000 as at 31 December 2020 (2019: US$205,505,000) have been pledged to secure certain bank and other borrowings of the Group (note 25).

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18. INVESTMENT PROPERTIES

	Completed investment properties US$'000	Investment properties under construction US$'000	Total US$'000
At 1 January 2019	1,583,059	302,443	1,885,502
Additions	56,555	472,869	529,424
Acquisition of subsidiaries	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 assets held for sale (note (i))	(83,519)	–	(83,519)
Disposal of subsidiaries	(276,711)	–	(276,711)
Disposal	(231,110)	–	(231,110)
Exchange realignment	(34,783)	(3,495)	(38,278)
At 31 December 2019 and 1 January 2020	1,558,752	1,227,174	2,785,926
Additions	20,108	314,169	334,277
Acquisition of subsidiaries (note 33)	87,648	46,527	134,175
Changes in fair values of investment properties	53,717	170,963	224,680
Transfer from investment properties under construction to completed investment properties	189,772	(189,772)	–
Reclassification to assets held for sale (note (ii))	–	(6,732)	(6,732)
Disposal of subsidiaries (note 35)	(464,081)	(181,736)	(645,817)
Disposal	(86,174)	(261,006)	(347,180)
Exchange realignment	94,267	90,121	184,388
At 31 December 2020	1,454,009	1,209,708	2,663,717

Notes:

(i) The disposal of assets classified as held for sale as at the year ended 2019 was completed on 3 July 2020 (note 35).

(ii) This relates to land under development which is expected to be disposed in the next financial year. The carrying value of the land was reclassified as an asset held for sale as at 31 December 2020.

(a) All completed investment properties and investment properties under construction of the Group were revalued at 31 December 2020 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 analysed, and weighted against all respective advantages and disadvantages to arrive at the fair value of the properties. 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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18. 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 2020 US$'000	As at 31 December 2019 US$'000
Within one year	75,048	103,453
After one year but within two years	63,372	89,430
After two years but within three years	38,813	68,636
After three years but within four years	18,581	43,894
After four years but within five years	8,503	27,326
After five years	10,001	59,130
	214,318	391,869

(c) Certain of the Group's completed investment properties and investment properties under construction with a fair value of US$2,082,085,000 (2019: US$1,899,602,000) were pledged to secure bank and other borrowings granted to the Group as disclosed in note 25.

(d) Fair value hierarchy

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

	As at 31 December 2020 US$'000	As at 31 December 2019 US$'000
Significant observable inputs (Level 2)	112,808	233,089
Significant unobservable inputs (Level 3)	2,550,909	2,552,837
	2,663,717	2,785,926

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 (2019: nil).

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18. INVESTMENT PROPERTIES (continued)

(d) Fair value hierarchy (continued)

The movement in fair value measurements within Level 3 during the years ended 31 December 2020 and 2019 are as follows:

	2020 US$'000	2019 US$'000
At 1 January	2,552,837	1,865,300
Additions	270,361	333,437
Acquisition of subsidiaries	96,035	774,535
Changes in fair value of investment properties	214,853	192,178
Transfer from Level 2 to Level 3	222,103	20,202
Reclassification to assets held for sale	(6,732)	(83,519)
Disposal of subsidiaries	(629,548)	(276,711)
Disposal	(347,180)	(231,110)
Exchange realignment	178,180	(41,475)
At 31 December	2,550,909	2,552,837

The valuation of investment properties categorised within Level 2 of the fair value hierarchy is based on comparable market transactions for which the Group considers sales of similar properties that have been transacted in the open market.

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

Investment property details	Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Warehouse properties	Income capitalisation	**Capitalisation rate:** China: 5.25% to 6.50% (2019: 5.25% to 6.50%) Japan: 4.10% to 4.30% (2019: 4.20% to 4.50%) Australia: 5.25% to 7.75% (2019: 5.25% to 7.75%)	The estimated fair value varies inversely against the capitalisation rate
	Discounted cash flows	**Discount rate:** China: 8.25% to 9.25% (2019: 8.50% to 9.00%) Japan: 3.90% to 4.00% (2019: 3.90% to 4.50%) Australia: 5.75% to 8.00% (2019: 5.75% to 8.00%)	The estimated fair value varies inversely against the discount rate
		Terminal capitalisation rate: China: 5.25% to 6.50% (2019: 5.25% to 6.50%) Japan: 4.20% to 4.30% (2019: 4.20% to 4.50%) Australia: 5.25% to 7.75% (2019: 5.25% to 7.75%)	The estimated fair value varies inversely against the terminal capitalisation rate

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19. GOODWILL

	US$'000
At 1 January 2019	
Cost	285,382
Accumulated impairment	–
Net carrying amount	285,382
Cost at 1 January 2019, net of accumulated impairment	285,382
Acquisition of subsidiaries	54,861
At 31 December 2019	340,243
At 31 December 2019	
Cost	340,243
Accumulated impairment	–
Net carrying amount	340,243
Cost at 1 January 2020 and 31 December 2020, net of accumulated impairment	340,243
At 31 December 2020	
Cost	340,243
Accumulated impairment	–
Net carrying amount	340,243

Impairment testing of goodwill

As of 31 December 2020, the Group's goodwill impairment testing is allocated to the 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 cash-generating unit.

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 10%. The growth rate used to extrapolate the cash flows of the Redwood asset management business cash-generating unit beyond the five-year period is 3%. This growth rate is based on the average growth rate of the management fee in which the business operates. Senior management believes that this growth rate is justified.

Infinitysub asset management business cash-generating unit

The recoverable amount of the 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 8%. The growth rate used to extrapolate the cash flows 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.

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19. GOODWILL (continued)

Impairment testing of goodwill (continued)

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 8.4%. The growth rate used to extrapolate the cash flows 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.

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 8%. The growth rate used to extrapolate the cash flows of the SIP 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.

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 unit of business are as follows:

Asset management business	As at 31 December 2020 US$'000	As at 31 December 2019 US$'000
Redwood	210,480	210,480
Infinitysub	34,370	34,370
ESR Australia	81,823	81,823
SIP	13,570	13,570
Total	340,243	340,243

Assumptions were used in the value-in-use calculation of the Group's cash-generating unit for 31 December 2020 and 2019. 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 reflect specific risks relating to the relevant units.

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20. OTHER INTANGIBLE ASSETS

	Software US$'000	Management contracts US$'000	Trust management rights with indefinite useful lives US$'000 (note (i) and (ii))	Customer contracts US$'000	Others US$'000	Total US$'000
31 December 2020						
At 1 January 2020:						
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
At 1 January 2020, net of accumulated amortisation	654	15,886	74,305	1,433	680	92,958
Additions	210	–	–	–	–	210
Amortisation provided during the year	(398)	(6,435)	–	(802)	–	(7,635)
Exchange realignment	21	72	941	56	40	1,130
At 31 December 2020	487	9,523	75,246	687	720	86,663
At 31 December 2020:						
Cost	1,758	33,009	75,246	4,127	720	114,860
Accumulated amortisation	(1,271)	(23,486)	–	(3,440)	–	(28,197)
Net carrying amount	487	9,523	75,246	687	720	86,663
31 December 2019						
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
At 1 January 2019, net of accumulated amortisation	847	16,731	58,769	3,146	–	79,493
Additions	235	–	–	–	683	918
Acquisition of subsidiaries	–	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

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20. OTHER INTANGIBLE ASSETS (continued)

Notes:

(i) In June 2019, the Group had 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.

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 the SIP asset management business cash-generating unit are given in note 19.

(ii) In January 2017, the Group had acquired Infinitysub Pte. Ltd. ("Infinitysub"), an asset management company providing trust management and property management services in Singapore.

In October 2018, the Group had 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. Both Infinitysub and VITM were consolidated as a single cash-generating unit namely Infinitysub asset management business pursuant to the merger of ESR-REIT and VIT ("VIT Merger") in October 2018.

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 the Infinitysub asset management business cash-generating unit are given in note 19.

21. OTHER NON-CURRENT ASSETS

	As at 31 December 2020 US$'000	As at 31 December 2019 US$'000
Prepayments for acquiring land use rights	18,986	23,233
Rental income receivables	2,838	3,402
Due from non-controlling interests of subsidiaries	13,795	1,663
Due from joint ventures	2,002	1,892
Rental deposits	2,306	1,631
Investment in Compulsorily Convertible Debentures (note (i))	6,359	6,036
Investment in non-convertible Debentures	3,491	–
Input tax recoverable	10,369	–
Others	2,409	1,954
	62,555	39,811

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 anytime 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 46).

The balances due from non-controlling interests of subsidiaries and joint ventures are non-trade in nature and non-interest-bearing.

As at 31 December 2020 and 2019, 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.

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22. TRADE RECEIVABLES

	As at 31 December 2020 US$'000	As at 31 December 2019 US$'000
Rental income receivables	5,828	4,303
Management fees due from the joint ventures of the Group	21,719	12,338
Management fees due from funds managed by the Group	58,031	65,686
Management fees due from non-controlling interests of subsidiaries	–	383
Construction income receivables	8,374	5,837
Solar energy income receivables	721	350
	94,673	88,897

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 2020 and 2019, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December 2020 US$'000	As at 31 December 2019 US$'000
Within 90 days	93,950	81,069
91 to 180 days	48	4,324
Over 180 days	675	3,504
Total	94,673	88,897

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22. TRADE RECEIVABLES (continued)

The Group has applied the simplified approach to providing impairment for trade receivables 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 2020 and 2019 is determined as follows:

	31 December 2020 Current	31 December 2019 Current
Expected credit loss rate	<0.001%	<0.001%
Gross carrying amount (US$'000)	94,673	88,897
Impairment (US$'000)	–	–

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December 2020 US$'000	As at 31 December 2019 US$'000
Deposits for acquisition	18,516	11,678
Due from joint ventures (note (i))	115,534	18,327
Due from related parties	9,602	4,500
Receivable from funds	1,438	20,162
Prepayments on behalf of funds	2,727	2,733
Prepayments to suppliers	7,471	8,809
Dividend receivable	3,743	3,292
Contract assets	6,533	4,185
Deductible value-added tax	29,313	28,819
Other investment at fair value	–	1,494
Receivable from disposal of an investment property	–	13,438
Other receivables	14,445	11,585
	209,322	129,022

Note:

(i) Included in the amount due from joint venture was a loan to a joint venture amounted to US$109,700,000. The loan is secured, interest-free and repayable within 1 year.

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 2020 and 2019, 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.

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24. CASH AND BANK BALANCES

	As at 31 December 2020 US$'000	As at 31 December 2019 US$'000
Cash and cash in bank	1,404,068	816,487
Non-pledged fixed time deposits with a maturity period over three months	2,312	881
Restricted bank balances	59,441	21,038
Pledged bank deposits (note 25)	49,609	45,800
	1,515,430	884,206

The Renminbi ("RMB") is not freely convertible into other currencies, however, under China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks 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 2020, the fixed deposit of US$2,312,000 (2019: US$881,000) had a maturity period of over 180 days. The balance was principal-protected and carried the rate of return of 0.83% (2019: 1.56%) per annum.

All pledged bank deposits at 31 December 2020 was denominated in RMB (2019: 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 25).

As at 31 December 2020 and 2019, 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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25. BANK AND OTHER BORROWINGS

Group

	31 December 2020			31 December 2019		
	Effective interest rate (%)	Maturity	US$'000	Effective interest rate (%)	Maturity	US$'000
Current						
Bank loans — secured	0.20-6.18	2021	526,368	0.20-5.88	2020	37,631
Bank loans — unsecured	3.23-4.35	2021	207,292	3.60	2020	148,998
Other borrowings — unsecured	–	–	–	12.00	2020	45,580
			733,660			232,209
Non-current						
Bank loans — secured	1.70-6.77	2022–2036	803,868	0.20-6.77	2021–2036	1,538,128
Bank loans — unsecured	2.15-3.25	2022–2023	551,584	4.80	2022	99,053
Other borrowings — secured	–	–	–	9.00	2023	18,548
Other borrowings — unsecured	0.50-10.00	2023–2024	54,859	10.00	2024	5,607
Bonds — unsecured	5.10-7.88	2022–2025	852,310	6.75-7.88	2022	677,372
			2,262,621			2,338,708
Convertible bonds (note 31)	5.03	2025	298,997	–	–	–
			2,561,618			2,338,708
			3,295,278			2,570,917

Debt maturity profile of bank and other borrowings:

	As at 31 December 2020 US$'000	As at 31 December 2019 US$'000
Bank loans repayable		
Within one year	733,660	186,629
In the second year	464,060	691,754
In the third to fifth year, inclusive	726,819	796,396
Beyond five years	164,573	149,031
	2,089,112	1,823,810
Bonds and other borrowings repayable		
Within one year	–	45,580
In the second year	685,031	–
In the third to fifth year, inclusive	521,135	701,527
	1,206,166	747,107
	3,295,278	2,570,917

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25. BANK AND OTHER BORROWINGS (continued)

Company

	31 December 2020			31 December 2019		
	Effective interest rate (%)	Maturity	US$'000	Effective interest rate (%)	Maturity	US$'000
Current						
Bank loans — secured	2.70	2021	1,000	2.70	2020	1,000
Bank loans — unsecured	3.23-4.35	2021	207,292	3.60	2020	148,998
			208,292			149,998
Non-current						
Bank loans — secured	2.70	2022	40,450	2.70	2022	41,450
Bank loans — unsecured	2.15-3.25	2022–2023	551,584	4.80	2022	99,053
Bonds — unsecured	5.10-7.88	2022–2025	852,310	6.75-7.88	2022	677,372
			1,444,344			817,875
Convertible bonds (note 31)	5.03	2025	298,997	–	–	–
			1,743,341			817,875
			1,951,633			967,873

Debt maturity profile of bank and other borrowings:

	As at 31 December 2020 US$'000	As at 31 December 2019 US$'000
Bank loans repayable		
Within one year	208,292	149,998
In the second year	139,908	1,000
In the third to fifth year, inclusive	452,126	139,503
	800,326	290,501
Bonds and other borrowings repayable		
In the second year	685,031	–
In the third to fifth year, inclusive	466,276	677,372
	1,151,307	677,372
	1,951,633	967,873

Notes:

(a) As at 31 December 2020, certain of the Group's completed investment properties and investment properties under construction with a total fair value of US$2,082,085,000 (2019: US$1,899,602,000) (note 18(c)), property, plant and equipment with a carrying amount of US$26,835,000 (2019: US$26,546,000) (note 13), pledged bank deposits with an amount of US$49,609,000 (2019: US$45,800,000)(note 24), listed equity interests at market value with a fair value of US$294,799,000 (2019: US$205,505,000) (note 17), and investments in joint ventures and associate with a carrying amount of US$115,899,000 (2019: nil) (note 15), and equity interests of certain subsidiaries were pledged to secure bank and other borrowings granted to the Group.

(b) The Group issued the following fixed rate notes pursuant to its US$2.0 billion Multicurrency Debt Issuance Programme:

- In February 2019, S$350,000,000 which bear interest at 6.75% per annum, due in February 2022.
- In April 2019, US$425,000,000 which bear interest at 7.875% per annum, due in April 2022.
- In February 2020, S$225,000,000 which bear interest at 5.10% per annum, due in February 2025.

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26. LEASE LIABILITIES

	31 December 2020			31 December 2019		
	Effective interest rate (%)	Maturity	US$'000	Effective interest rate (%)	Maturity	US$'000
Current lease liabilities	1-13	2021	6,568	1-16	2020	5,670
Non-current lease liabilities	1-13	2022–2055	6,825	1-16	2021–2055	17,486
			13,393			23,156

27. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at 31 December 2020 US$'000	As at 31 December 2019 US$'000
Trade payables	5,782	12,837
Payables for purchase of property, plant and equipment and investment properties	65,020	70,729
Rental income received in advance	3,204	4,234
Accruals	37,619	44,299
Interest payable	32,084	29,297
Staff payroll and welfare payables	30,178	20,904
Other tax payable	17,355	5,145
Due to related parties	1,278	467
Consideration payable for acquisition of subsidiaries	20,069	–
Due to non-controlling shareholders of subsidiaries	3,201	5,774
Payable to a fund	713	491
Others	9,811	17,232
	226,314	211,409

An aging analysis of the trade payables as at 31 December 2020 and 2019, based on the invoice date, is as follows:

	As at 31 December 2020 US$'000	As at 31 December 2019 US$'000
Within 30 days	2,061	1,319
30 to 60 days	64	8,174
Over 60 days	3,657	3,344
Total	5,782	12,837

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

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28. DEFERRED TAX

The movements in deferred tax assets during the years ended 31 December 2020 and 2019 are as follows:

	Losses available for offsetting against future taxable profits US$'000	Employee benefit payable US$'000	Accrued expenses US$'000	Others US$'000	Total US$'000
31 December 2020					
At 1 January 2020	19,422	1,957	827	1,348	23,554
Deferred tax credited/(charged) to profit or loss during the year	(4,774)	30	2,926	957	(861)
Disposal of subsidiaries (note 35)	(329)	–	–	–	(329)
Exchange realignment	1,224	202	313	158	1,897
At 31 December 2020	15,543	2,189	4,066	2,463	24,261
31 December 2019					
At 1 January 2019	12,012	–	691	856	13,559
Acquisition of subsidiaries	4,731	31	56	38	4,856
Deferred tax credited/(charged) to profit or loss during the year	5,412	855	(282)	525	6,510
Disposal of subsidiaries	(1,010)	–	–	(136)	(1,146)
Exchange realignment	(1,723)	1,071	362	65	(225)
At 31 December 2019	19,422	1,957	827	1,348	23,554

The movements in deferred tax liabilities during the years ended 31 December 2020 and 2019 are as follows:

	Fair value adjustments of investment properties US$'000	Gain on fair value change of financial assets at fair value through profit or loss US$'000	Fair value adjustments arising from acquisition of subsidiaries US$'000	Unbilled revenue US$'000	Others US$'000	Total US$'000
31 December 2020						
At 1 January 2020	178,353	8,047	22,229	1,070	1,587	211,286
Deferred tax charged/(credited) to profit or loss during the year	61,662	(609)	(1,229)	204	2,130	62,158
Disposal of subsidiaries (note 35)	(4,744)	–	–	–	–	(4,744)
Exchange realignment	11,528	367	160	109	109	12,273
At 31 December 2020	246,799	7,805	21,160	1,383	3,826	280,973
31 December 2019						
At 1 January 2019	164,768	5,590	20,821	770	–	191,949
Deferred tax charged/(credited) to profit or loss during the year	44,476	2,310	(1,229)	572	1,412	47,541
Acquisition of subsidiaries	–	–	2,619	–	–	2,619
Disposal of subsidiaries	(28,085)	–	–	(430)	–	(28,515)
Reclassification to liabilities held for sale	(286)	–	–	–	–	(286)
Exchange realignment	(2,520)	147	18	158	175	(2,022)
At 31 December 2019	178,353	8,047	22,229	1,070	1,587	211,286

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28. DEFERRED TAX (continued)

In accordance with China 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 US$24,630,000 as at 31 December 2020 (2019: US$20,971,000), 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 China Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in China. 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 China and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by its subsidiaries, joint ventures and associates established in China in respect of earnings generated from 1 January 2008.

At 31 December 2020, no deferred tax (2019: 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 China and the Group's investments 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 China for which deferred tax liabilities have not been recognised totalled approximately US$20,671,000 at 31 December 2020 (2019: US$11,758,000).

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29. 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 US$6,351,000 and US$6,351,000 (2019: US$5,305,000 and US$5,185,000), respectively.

(b) Changes in liabilities arising from financing activities

	Bank and other borrowings US$'000	Interest payable US$'000	Other payable — due to related parties US$'000	Lease liabilities US$'000
31 December 2020				
At 1 January 2020	2,570,917	29,297	467	23,156
Changes from financing cash flows	880,580	(151,305)	45	(6,834)
Changes in investing cash flows — additions to investment properties	–	(8,269)	–	–
Foreign exchange movements	81,170	–	–	623
Interest expense	–	154,092	–	1,591
Capitalised interest expense	–	8,269	–	–
Addition	–	–	–	6,351
Acquisition of subsidiaries	58,636	–	–	–
Disposal of subsidiaries	(296,025)	–	766	(11,494)
At 31 December 2020	3,295,278	32,084	1,278	13,393

	Bank and other borrowings US$'000	Liability component of the redeemable convertible preference shares US$'000	Interest payable US$'000	Other payable — due to related parties US$'000	Lease liabilities US$'000
31 December 2019					
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

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30. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

The redeemable convertible preference shares have a par value of US$0.001 per share, and carried interest at 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 the 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:

	Liability component US$'000	Equity component US$'000	Total US$'000
At 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 and 31 December 2020	–	–	–

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31. CONVERTIBLE BONDS

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

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

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

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

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

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

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

	2020 **US$'000**
Nominal value of convertible bonds issued during the year	350,000
Equity component	(48,501)
Direct transaction costs	(4,959)
Liability component at the issuance date	296,540
Effective interest expense	3,791
Interest payable	(1,334)
Liability component at 31 December (note 25)	298,997

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32. 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 2020	As at 31 December 2019
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]	N/A	35%
Higashi	30%	30%
Shanghai Yurun	26%	26%

	US$'000	US$'000
Profit/(loss) for the year allocated to non-controlling interests:		
Preference shares issued by subsidiaries:		
Redwood Fujiidera Investor Ltd.[i]	(36)	24
Redwood Asian Investments 2 Ltd.[ii]	(536)	1,124
	(572)	1,148
Equity interests held by non-controlling interests:		
Mingyue Logistics Pte. Ltd.[iii]	592	2,286
Higashi	8,186	9,958
Shanghai Yurun	8,947	13,266
	17,725	25,510
	17,153	26,658
Accumulated balances of non-controlling interests at the reporting date:		
Preference shares issued by subsidiaries:		
Redwood Fujiidera Investor Ltd.[i]	225	875
Redwood Asian Investments 2 Ltd.[ii]	219	27,629
	444	28,504
Equity interests held by non-controlling interests:		
Mingyue Logistics Pte. Ltd.[iii]	–	24,740
Higashi	74,695	65,204
Shanghai Yurun	65,701	52,533
	140,396	142,477
	140,840	170,981

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32. 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] US$'000	Redwood Asian Investments 2 Ltd.[ii] US$'000	Mingyue Logistics Pte. Ltd.[iii] US$'000	Higashi US$'000	Shanghai Yurun US$'000
2020					
Revenue	–	–	–	14,988	–
Total expense	(42)	(370)	–	(6,642)	(251)
Profit/(loss) for the year	(42)	(625)	–	27,092	34,361
Total comprehensive income/(loss) for the year	(42)	(625)	–	27,092	34,361
Current assets	72,963	56,845	–	190,268	14,391
Non-current assets	141	–	–	194,325	366,531
Current liabilities	88	180	–	(106,932)	8,984
Non-current liabilities	–	–	–	(25,501)	121,847
Net cash flow from/(used in) operating activities	(20)	(36,223)	–	1,977	6
Net cash flow from/(used in) investing activities	–	36,110	–	274,489	(58,706)
Net cash flow from/(used in) financing activities	(771)	(208)	–	(117,108)	54,909
Net increase/(decrease) in cash and cash equivalents	(791)	(321)	–	159,358	(3,791)
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 flows from/(used in) operating activities	(576)	(654)	6,795	10,812	(150)
Net cash flows from/(used in) investing activities	69,680	22,749	(203)	(1,030)	(39,445)
Net cash flows from/(used in) financing activities	(68,188)	(22,046)	(2,885)	(8,561)	60,210
Net increase in cash and cash equivalents	916	49	3,707	1,221	20,615

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32. 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 called 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 for an interest in Redwood Fujiidera Pte. Ltd.

Prior to 23 September 2016, according to the 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 2020, Financial Investor C was a holder of 4,243,902,381 (2019: 4,243,902,381) preference shares issued by Redwood Fujiidera Investor Ltd., a subsidiary incorporated in the Cayman Island. 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 the 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 an interest in RW Nankonaka TMK.

At 31 December 2020, Financial Investor C was a holder of 3,454,285,715 (2019: 3,454,285,715) Preference A Shares issued by Redwood Asian Investments 2 Ltd., a subsidiary incorporated in the Cayman Island. 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 a 65% interest of Mingyue Logistic Pte. Ltd. ("Mingyue Logistics"), which held a 100% interest of Guangzhou Mingyue Warehousing Co., Ltd. ("Guangzhou Mingyue"). The purchase consideration amounted to US$23,436,000. 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 and its subsidiary, Guangzhou Mingyue. The divestment was completed on 3 July 2020.

Notes to the Consolidated Financial Statements

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33. BUSINESS COMBINATION

Acquisition of subsidiaries that are not businesses

The Group acquired the following subsidiaries during the year for a total consideration of US$70,759,000:

Name of subsidiaries acquired	Equity interest acquired	Month of acquisition
Chung-Kang Steel Structure (Kunshan) Co., Ltd.	100%	May 2020
Jurong Xiexin Yuncang Technology Co., Ltd.	100%	June 2020
Xuzhou Xiexin Yuncang Logistics Technology Development Co., Ltd.	100%	June 2020
Langfang Chunhui Environment-friendly Building Materials Co., Ltd.	100%	August 2020

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

	Net assets acquired US$'000
Net assets acquired:	
Cash and bank balances	2,132
Trade receivables	2,662
Prepayments, other receivables and other assets	34,644
Investment properties	134,175
Bank and other borrowings	(58,636)
Trade payables, accruals and other payables	(44,218)
	70,759
Satisfied by:	
Cash	50,690
Consideration payable	20,069
	70,759

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

	Cashflow on acquisition US$'000
Cash consideration	(50,690)
Cash and bank balances acquired	2,132
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(48,558)

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34. INTERESTS IN THE UNCONSOLIDATED STRUCTURED ENTITIES

As at 31 December 2020, the Group considers its equity investments in 19 (2019: 17) investment funds to be interests in unconsolidated structured entities. The investment funds are designed so that the management rights are not the dominant factor in deciding who controls them, and are financed through the issue of an ownership interest instrument to each investor.

The Group also acts as the investment/asset manager for 23 (2019: 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 services and brokerage services. 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 instruments 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 US$60,843,000 (2019: US$73,651,000) from the real estate funds for the year ended 31 December 2020. As at 31 December 2020, 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 the fee income receivable from them amounting to US$31,310,000 (2019: US$42,399,000) and the carrying amount of the investments amounting to US$502,519,000 (2019: US$400,933,000).

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35. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2020, the Group has through its wholly-owned subsidiaries, Gamma Offshore Holdings (BVI) Limited and Destiny offshore Holdings (BVI) Limited, entered into certain agreements with a joint venture of the Group to dispose of 100% interests in four operating subsidiaries namely Jieyang Yian Warehousing Services Co., Ltd., Wenzhou Yirui Warehousing Services Co., Ltd., Pinghu Yixing Warehousing Services Co., Ltd., and Xi'an Yihong Warehouse Services Co., Ltd.; 95% interests of Qingyuan Anqing Information Technology Development Co., Ltd., a subsidiary; and 90% interests of Fujian Pingfu Technology Development Company Limited, a subsidiary.

	US$'000
Net assets disposed of:	
Cash and bank balances	23,494
Prepayments, trade and other receivables and other assets	5,163
Investment properties	102,708
Deferred tax assets	329
Trade payables##, accruals, other payables and income tax payable	(118,728)
Deferred tax liabilities	(4,744)
Non-controlling interests	(1,969)
	6,253
Exchange fluctuation reserve	6,774
Gain on disposal of subsidiaries	5,399
	18,426
Satisfied by:	
Cash	18,426

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	US$'000
Cash consideration	18,426
Cash and bank balances of subsidiaries disposed of	(23,494)
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(5,068)

* Subsequent to the disposal, the Group holds 51% interests in the subsidiaries disposed of, which are accounted for as investments in joint ventures.

Included an amount of US$109,935,000 that was subsequently repaid by the joint ventures to the Group during the year.

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35. DISPOSAL OF SUBSIDIARIES (continued)

In June 2020, the Group has, through its wholly-owned subsidiary, ESR Queensland Hold Trust, entered into an agreement with a global institutional investor to dispose of the 45% interests in a subsidiary, which is ESR Australia Logistics Partnership ("EALP").

	US$'000
Net assets disposed of:	
Cash and bank balances	14,279
Prepayments, trade and other receivables and other assets	1,458
Investment properties	508,480
Trade payables, accruals, other payables and income tax payable	(13,758)
Bank and other borrowings	(270,588)
Lease liabilities	(11,494)
	228,377
Gain on disposal of a subsidiary	–
	228,377
Satisfied by:	
Cash	102,770
Investment in a joint venture*	125,607
	228,377

* Subsequent to the disposal, the Group held a 55% interest in the subsidiary disposed of, which is accounted for as an investment in a joint venture. In September 2020, the Group sold a further 35% interest in EALP to a global institutional investor. As of 31 December 2020, the Group held a 20% interest in EALP, which is accounted for as an investment in an associate.

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	US$'000
Cash consideration	102,770
Cash and bank balances of a subsidiary disposed of	(14,279)
Net inflow of cash and cash equivalents included in cash flows from investing activities	88,491

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35. DISPOSAL OF SUBSIDIARIES (continued)

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 a 65% equity interest in Mingyue Logistics Pte. Ltd. ("Mingyue Logistics") and its subsidiary, Guangzhou Mingyue Warehousing Co., Ltd. ("Guangzhou Mingyue"). All the assets and liabilities held by Mingyue Logistics and Guangzhou Mingyue were reclassified as a disposal group held for sale as at 31 December 2019. The disposals were completed on 3 July 2020.

	US$'000
Net assets disposed of:	
Cash and bank balances	10,455
Prepayments, deposits and other receivables	100
Property, plant and equipment	2
Investment properties	87,540
Other non-current assets	146
Trade payables, accruals, other payables and income tax payable	(4,941)
Bank and other borrowings	(16,050)
Deferred tax liabilities	(1,542)
Non-controlling interests	(27,038)
	48,672
Exchange fluctuation reserve	1,714
Loss on disposal of subsidiaries	(172)
	50,214
Satisfied by:	
Cash	50,214

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	US$'000
Cash consideration	50,214
Cash and bank balances of subsidiaries disposed of	(10,455)
Net inflow of cash and cash equivalents included in cash flows from investing activities	39,759

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35. DISPOSAL OF SUBSIDIARIES (continued)

In August 2020, the Group has, through its wholly-owned subsidiary, ESRT No 2, entered into an agreement with a global institutional investor to dispose of the 40% interests in a subsidiary, which is ESRDFT.1 Investment Trust.

	US$'000
Net assets disposed of:	
Cash and bank balances	281
Prepayments, trade and other receivables and other assets	77
Investment properties	34,629
Trade payables, accruals, other payables and income tax payable	(17,052)
	17,935
Gain on disposal of a subsidiary	–
	17,935
Satisfied by:	
Cash	7,175
Investment in a joint venture*	10,760
	17,935

* Subsequent to the disposal, the Group holds a 60% interest in the subsidiary disposed of, which is accounted for as an investment in a joint venture.

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	US$'000
Cash consideration	7,175
Cash and bank balances of a subsidiary disposed of	(281)
Net inflow of cash and cash equivalents included in cash flows from investing activities	6,894

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35. DISPOSAL OF SUBSIDIARIES (continued)

In November 2020, the Group has, through its wholly-owned subsidiaries, Nihon Closed End LPS and Japan Logistics LPS, entered into sale and purchase agreement to dispose of the 51.88% interests in a subsidiary, which is ESR Japan REIT Inc.

	US$'000
Net assets disposed of:	
Cash and bank balances	3,573
Prepayments, trade and other receivables and other assets	103
Financial asset at fair value through profit or loss	42,298
Trade payables, accruals, other payables and income tax payable	(156)
Bank and other borrowings	(25,437)
	20,381
Loss on disposal of a subsidiary	(552)
	19,829
Satisfied by:	
Cash	10,021
Financial asset at fair value through profit or loss*	9,808
	19,829

* Subsequent to the disposal, the Group holds a 48.12% interest in the subsidiary disposed of, which is accounted for 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 a subsidiary is as follows:

	US$'000
Cash consideration	10,021
Cash and bank balances of a subsidiary disposed of	(3,573)
Net inflow of cash and cash equivalents included in cash flows from investing activities	6,448

36. CONTINGENT LIABILITIES

As at 31 December 2020 and 2019, neither the Group nor the Company had any significant contingent liabilities.

37. 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 25 to the financial statements.

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38. 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 2020 and 2019, the Group had total future minimum leases receivable under non-cancellable operating leases with its tenants falling due as stated in note 18.

(b) Capital commitments

	As at 31 December 2020 US$'000	As at 31 December 2019 US$'000
Contracted, but not provided for investment properties	315,442	377,558
Authorised, but not contracted for investment properties	–	10,855
Undrawn capital calls to real estate investment funds	1,037,489	360,179
	1,352,931	748,592

39. 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 2020 and 2019:

(a) Transactions with related parties:

	2020 US$'000	2019 US$'000
Associates:		
— Management fee income (note (i))	36,515	17,368
— Construction revenue	8,756	–
Joint ventures:		
— Management fees income (note (i))	61,276	25,291
— Advances to joint ventures (note (ii))	100,371	3,824
— Advances from/(Repayment to) joint ventures (note (ii))	–	(2,166)
— Repayment from a joint venture (note (iii))	109,935	–
— Investments in debentures issued by joint ventures (note (iv))	3,491	6,036
— Interest income on investment in debentures (note (iv))	574	–
— Construction revenue	32,169	22,243
— Sale of other assets	20,540	–
Directors:		
— Loans to Directors (note 39(d))	9,200	–
— Interest receivables from Directors (note 39(d))	396	–

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39. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties: (continued)

Notes:

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

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

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

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

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

(ii) Advances to/(repayment from) related parties and advances from/(repayment to) joint ventures are unsecured, interest-free and repayable on demand. The maximum amount due from related parties outstanding during the year ended 31 December 2020 was US$115,534,000 (2019: US$13,888,000).

(iii) During the year, the Group received repayment of US$109,935,000 from the subsidiaries disposed of (note 35) which are now joint ventures of the Group. The amount was paid to the Group after disposal was completed.

(iv) Investments in debentures issued by joint ventures and related interest income are relating to Group's investments in Compulsorily Convertible Debentures and Non-convertible Debentures as disclosed in Note 21.

(b) Commitments with related parties

The Group expects the total capital commitment to associates and joint ventures to be US$43,630,000 and US$916,809,000 (2019: US$76,220,000 and US$127,393,000), respectively.

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

	2020 US$'000	2019 US$'000
Short term employee benefits	9,024	9,197
Post-employment benefits	46	30
Share-based payment	5,670	6,006
Total compensation paid to key management personnel	14,740	15,233

(d) Loans to Directors

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

Name	At 1 January 2019 US$'000	Maximum amount outstanding during the period US$'000	At 31 December 2019 and 1 January 2020 US$'000	Maximum amount outstanding during the period US$'000	At 31 December 2020 US$'000
Mr. Stuart Gibson	–	–	–	4,600	4,600
Mr. Charles Alexander Portes	–	–	–	4,600	4,600

Loans granted to directors bear interest at 5.5% per annum, and they are unsecured and repayable in year 2021. Loans to Directors and the related interest receivables were included in the balance of prepayments, other receivables and other assets as of 31 December 2020.

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40. SHARE CAPITAL

	As at 31 December 2020	As at 31 December 2019
Authorised number of shares	8,000,000,000	8,000,000,000

	As at 31 December 2020 US$'000	As at 31 December 2019 US$'000
Issued and fully paid	3,060	3,037

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

	Number of shares in issue	Share capital US$'000	Share premium account US$'000	Total US$'000
At 1 January 2019	2,688,919,875	2,689	1,370,398	1,373,087
Share options exercised (note (i))	18,452,806	19	7,584	7,603
Conversion of redeemable convertible preference shares (note (ii))	49,071,962	49	75,498	75,547
Issue of new shares pursuant to Global Offering (note (iii))	280,140,000	280	601,004	601,284
Share issue expenses (note (iii))	–	–	(11,958)	(11,958)
At 31 December 2019 and 1 January 2020	3,036,584,643	3,037	2,042,526	2,045,563
Share options exercised (note (iv))	23,766,674	24	22,502	22,526
Share repurchased and cancellation (note (v))	(536,400)	(1)	(893)	(894)
At 31 December 2020	3,059,814,917	3,060	2,064,135	2,067,195

Notes:

(i) 18,452,806 share options were exercised at the exercise price of US$0.46 per share (note 41), resulting in the issue of 18,452,806 shares for a total cash consideration, before expenses, of US$19,000. An amount of US$7,603,000 was transferred from the share option reserve to share capital and share premium upon the exercise of the share options.

(ii) 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.

(iii) On 1 November 2019, the Company issued a total of 280,140,000 ordinary shares of US$0.001 each at HK$16.8 per share by way of Global Offering. The expenses attributable to the issue of shares of approximately US$11,958,000 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.

(iv) 23,766,674 shares were issued by the Company for a total cash consideration, before expenses, of US$1,158,000 in satisfaction of 31,593,589 share options exercised in 2020 at the exercise price of US$0.69 per share (note 41). An amount of US$21,368,000 was transferred from the share option reserve to share capital and share premium upon the exercise of the share options.

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

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41. SHARE OPTION PLAN

The following share options were outstanding under the share option plans including KM ESOP, Tier 1 ESOP and Post-IPO Share Option Scheme (the "Plans") during the years ended 31 December 2020 and 2019:

	Weighted average exercise price US$	Number of options '000
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 and at 1 January 2020		82,174
Granted during the year	3.52	6,650
Forfeited during the year	1.52	(91)
Exercised during the year	0.69	(31,594)
At 31 December 2020		57,139

The weighted average share price at the date of exercise for share options exercised during the year ended 2020 was HK$20.23 (2019: HK$17.48) per share.

The exercise prices and exercise periods of the share options outstanding as at the end of each of the years ended 31 December 2020 and 2019 are as follows:

Number of options 2020 '000	Number of options 2019 '000	Exercise price per share	Exercise period
–	4,189	US$0.2520	01-02-19 to 31-01-24
24,700	24,700	US$0.4600	20-04-17 to 20-01-26
250	11,837	US$0.4722	01-01-23* to 22-02-29
20,074	35,157	US$0.9445	01-01-23* to 19-05-29
873	873	US$1.1453	16-08-23* to 15-08-28
948	1,098	US$1.3655	16-02-24* to 25-02-29
3,644	4,320	US$1.5172	20-05-24* to 19-05-29
6,650	–	HK$27.30	21-12-28 to 30-12-28
57,139	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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41. SHARE OPTION PLAN (continued)

The fair value of the share options granted during 2020 and 2019 was approximately US$7,866,504 (US$1.18 each) and US$2,640,000 (US$0.46 each), respectively.

The fair value of equity-settled share options granted during the years ended 31 December 2020 and 31 December 2019 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 2020	As at 31 December 2019
Dividend yields (%)	–	–
Volatility	26.18	20.09
Risk-free interest rate (%)	0.71	2.26-2.77
Expected life of options (year)	10.00	10.00

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. 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 31,593,589 share options exercised during the year resulted in the issue of 23,766,674 ordinary shares of the Company and new share capital of US$23,767 (before issue expenses), as further detailed in note 40.

At 31 December 2020, the Company had 57,139,000 share options outstanding under the Plans. The exercise in full of the outstanding share options by the conventional exercise method would, under the present capital structure of the Company, result in the issue of 57,139,000 additional ordinary shares of the Company and additional share capital and share premium of US$61,678,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 57,139,000 share options outstanding under the Plans, which represented approximately 1.87% of the Company's shares in issue as at that date.

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42. PERPETUAL CAPITAL SECURITIES

On 7 June 2017, the Company issued subordinated perpetual capital securities with aggregate net proceeds equivalent to US$98,845,000. The perpetual capital securities were fully redeemed on 7 June 2020. Movements of the perpetual capital securities are as follows:

	Principal US$'000	Distribution US$'000	Total US$'000
At 1 January 2019	97,379	–	97,379
Profit attributable to holders of perpetual capital securities	–	8,250	8,250
Distribution to holders of perpetual capital securities	–	(8,250)	(8,250)
At 31 December 2019 and 1 January 2020	97,379	–	97,379
Profit attributable to holders of perpetual capital securities	–	4,125	4,125
Distribution to holders of perpetual capital securities	–	(4,125)	(4,125)
Redemption of perpetual capital securities	(97,379)	–	(97,379)
At 31 December 2020	–	–	–

43. 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 China 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 China 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 China subsidiaries.

(ii) Merger reserve

The merger reserve of the Group represents the reserve arising 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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43. RESERVES (continued)

(b) The Company

	Share premium US$'000	Share option reserve US$'000	Exchange fluctuation reserve US$'000	Accumulated losses US$'000	Investment reserve (non-recycling) US$'000	Other reserve US$'000	Total US$'000
As at 1 January 2020	2,042,526	25,801	(6,265)	(311,833)	8,811	29,218	1,788,258
Loss for the year	–	–	–	(54,733)	–	–	(54,733)
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	8,495	–	8,495
Share of other comprehensive income of joint ventures	–	–	17,938	–	–	–	17,938
Total comprehensive loss for the year	–	–	17,938	(54,733)	8,495	–	(28,300)
Profit attributable to holders of perpetual capital securities	–	–	–	(4,125)	–	–	(4,125)
Redemption of perpetual capital securities	–	–	–	(1,221)	–	–	(1,221)
Share repurchase and cancellation	(893)	–	–	–	–	–	(893)
Issue of shares upon exercise of share options	22,502	(21,368)	–	–	–	–	1,134
Transfer of share option reserve upon the forfeiture of share options	–	(4)	–	4	–	–	–
Equity-settled share option arrangement	–	14,082	–	–	–	–	14,082
As at 31 December 2020	2,064,135	18,511	11,673	(371,908)	17,306	29,218	1,768,935

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43. RESERVES (continued)

(b) The Company (continued)

	Share premium US$'000	Share option reserve US$'000	Exchange fluctuation reserve US$'000	Accumulated losses US$'000	Investment reserve (non-recycling) US$'000	Other reserve US$'000	Total US$'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 options	–	(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

44. 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 which are summarised below:

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 25.

The following table demonstrates the sensitivity to reasonably possible changes in interest rates, 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	(Decrease)/ increase in profit before tax US$'000
Year ended 31 December 2020	100/(100)	(16,859)/16,859
Year ended 31 December 2019	100/(100)	(13,615)/13,615

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, and 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 monetary items denominated in a foreign currency and adjusts their translation at 31 December 2020 for a 1% change in foreign currency rates.

	2020 US$'000	2019 US$'000
Increase/(decrease) in profit before tax		
If US$ weakens against RMB	134	2,100
If US$ strengthens against RMB	(134)	(2,100)
If US$ weakens against JPY	(626)	(268)
If US$ strengthens against JPY	626	268
If US$ weakens against S$	(1,895)	(1,158)
If US$ strengthens against S$	1,895	1,158
If US$ weakens against A$	1,723	477
If US$ strengthens against A$	(1,723)	(477)
If US$ weakens against INR	800	3
If US$ strengthens against INR	(800)	(3)

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44. 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. 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 an 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 compares 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 2020 and 2019.

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 2020 and 2019.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are disclosed in note 22 and note 23.

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44. 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 2020 and 2019, based on the contractual undiscounted payments, is as follows:

Group

	Less than 1 year US$'000	1 to 5 years US$'000	Over 5 years US$'000	Total US$'000
31 December 2020				
Interest-bearing bank and other borrowings	876,865	2,588,181	211,861	3,676,907
Trade and other payables	175,577	–	–	175,577
Lease liabilities	7,095	4,969	2,949	15,013
Other non-current liabilities	–	–	47,158	47,158
	1,059,537	2,593,150	261,968	3,914,655
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

Notes to the Consolidated Financial Statements

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Company

	Less than 1 year US$'000	1 to 5 years US$'000	Over 5 years US$'000	Total US$'000
31 December 2020				
Interest-bearing bank and other borrowings	304,901	1,855,210	–	2,160,111
Trade and other payables	634,654	–	–	634,654
	939,555	1,855,210	–	2,794,765
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

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 17) as at 31 December 2020 and 2019. The Group's listed investments are listed on Hong Kong Exchanges and Clearing Limited, Singapore Exchange Securities Trading Limited, Australian Securities Exchange, and Korea Exchange and are valued at quoted market prices.

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk (continued)

The market equity indices for the following stock exchanges, at the close of business from the nearest trading day in the year to the end of each of the years ended 31 December 2020 and 2019, and their respective highest and lowest points during the year were as follows:

	31 December 2020	High/Low 2020	31 December 2019	High/Low 2019
Australia — AORD Index	6,851	7,290/4,564	6,802	6,996/5,620
Singapore — STI Index	2,869	3,284/2,208	3,223	3,415/2,956
Hong Kong — Hang Seng Index	27,231	29,175/21,139	28,190	30,280/24,897
Korea — KRX KOSPI Index	2,873	2,878/1,439	N/A	N/A

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 2020 and 2019.

The Group monitors the 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 2020 and 2019 were as follows:

	As at 31 December 2020 US$'000	As at 31 December 2019 US$'000
Bank and other borrowings		
Current	733,660	232,209
Non-current	2,561,618	2,338,708
Bank and other borrowings — Total	3,295,278	2,570,917
Less: Cash and bank balances	(1,515,430)	(884,206)
Net debt	1,779,848	1,686,711
Total assets	7,687,441	6,352,198
Gearing ratio (net debt/total assets)	23.2%	26.6%

Notes to the Consolidated Financial Statements

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45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 31 December 2020 and 2019 are as follows:

31 December 2020

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

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

Notes to the Consolidated Financial Statements

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45. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

31 December 2019

	Financial assets at fair value through profit or loss US$'000	Amortised cost US$'000	Financial assets at fair value through other comprehensive income US$'000	Total US$'000
Financial assets				
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 a maturity period over three months	–	881	–	881
	596,947	1,057,682	542,925	2,197,554

	Financial liabilities at amortised cost US$'000	Total US$'000
Financial liabilities		
Financial liabilities included in trade payables, accruals 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

Notes to the Consolidated Financial Statements

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46. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management is responsible for determining the policies and procedures for the fair value management of financial instruments. At each reporting date, management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The 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 the fair value as at the 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 years 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	2020: US$424,000 to US$596,390,000 2019: US$356,000 to US$638,960,000	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 flows	Cost of equity	2020: 9.75% to 10.57% 2019: 9.75% to 10.05%	1% increase (decrease) in cost of equity would result in (decrease) increase in estimated fair value by 0.013%

Notes to the Consolidated Financial Statements

31 December 2020

46. 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 markets (Level 1) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
As at 31 December 2020			
Financial assets at fair value through profit or loss	–	685,223	685,223
Financial assets at fair value through other comprehensive income	878,300	–	878,300
	878,300	685,223	1,563,523
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

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

	As at 31 December 2020 US$'000	As at 31 December 2019 US$'000
Financial assets at fair value through profit or loss — unlisted		
At 1 January	595,453	335,771
Total gain recognised in profit or loss included in other income	50,976	73,610
Dilution of interests in financial assets at fair value through profit or loss	(398)	—
Interest receivable	574	—
Distribution	(71,748)	(22,438)
Purchases	129,833	208,513
Disposal	(11,263)	—
Disposal of subsidiary (net of interest retained)	(32,490)	—
Exchange realignment	24,286	(3)
At 31 December	685,223	595,453

During the years ended 31 December 2020 and 2019, there were no transfers of fair values measurements into or out of Level 3 for financial liabilities.

Notes to the Consolidated Financial Statements

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46. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Company

Assets measured at fair value

	Quoted prices In active market (Level 1) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
As at 31 December 2020			
Financial assets at fair value through other comprehensive income	42,842	–	42,842
As at 31 December 2019			
Financial assets at fair value through other comprehensive income	34,348	–	34,348

47. EVENTS AFTER THE REPORTING DATES

On 2 March 2021, the Company issued S$200 million (approximately US$150 million) of perpetual resettable step-up subordinated securities with a distribution rate of 5.65% per annum with the first call date on 2 March 2026, pursuant to its US$2.0 billion Multicurrency Debt Issuance Programme.

On 2 March 2021, the Group, through its wholly-owned subsidiary, entered into Purchase and Sales Agreement to purchase 100% of the beneficial interests in Nanko Distribution Centre 1 at a purchase consideration of JPY29.5 billion (approximately US$284.7 million).

48. UPDATE ON COVID-19

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 pandemic.

Nonetheless, given the uncertainty around the COVID-19 pandemic, 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

31 December 2020

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2020 US$'000	As at 31 December 2019 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment		174	311
Financial assets at fair value through other comprehensive income		42,842	34,348
Investments in subsidiaries		739,625	698,150
Investment in a joint venture		282,144	248,563
Other intangible assets		209	296
Other non-current assets		11,297	2,734
Total non-current assets		1,076,291	984,402
CURRENT ASSETS			
Prepayments, other receivables and other assets		2,650,247	2,017,965
Cash and bank balances		643,743	458,969
Total current assets		3,293,990	2,476,934
CURRENT LIABILITIES			
Bank and other borrowings	25	208,292	149,998
Trade payables, accruals and other payables		597,158	108,795
Income tax payable		994	994
Total current liabilities		806,444	259,787
NET CURRENT ASSETS		2,487,546	2,217,147
TOTAL ASSETS LESS CURRENT LIABILITIES		3,563,837	3,201,549
NON-CURRENT LIABILITIES			
Bank and other borrowings	25	1,743,341	817,875
Trade payables, accruals and other payables		–	495,000
Total non-current liabilities		1,743,341	1,312,875
NET ASSETS		1,820,496	1,888,674
EQUITY			
Issued capital		3,060	3,037
Perpetual capital securities		–	97,379
Equity components of convertible bonds	31	48,501	–
Other reserves	43	1,768,935	1,788,258
Total equity		1,820,496	1,888,674

50. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 25 March 2021.

Group Financial Summary

RESULTS (US$'000)

For the year ended	FY2016	FY2017	FY2018	FY2019	FY2020
Revenue					
Rental income	50,273	57,844	74,311	118,042	**101,402**
Management fee income	46,464	94,268	135,579	166,721	**189,278**
Construction income	—	—	40,665	69,858	**92,160**
Solar energy income	—	1,177	3,593	2,748	**5,491**
	96,737	153,289	254,148	357,369	**388,331**
Segment Results					
Investment	149,376	182,933	233,592	256,087	**225,938**
Fund management	39,173	79,371	109,601	131,825	**147,598**
Development	50,187	161,559	115,503	244,782	**289,178**
	238,736	423,863	458,696	632,694	**662,714**
Profit after tax	104,844	200,834	212,878	278,400	**314,707**
Profit attributable to:					
Owners of the Company ("PATMI")	88,267	186,265	203,042	245,177	**286,466**
Non-controlling interests	16,577	14,569	9,836	33,223	**28,241**
	104,844	200,834	212,878	278,400	**314,707**

ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY (US$'000)

At 31 December	FY2016	FY2017	FY2018	FY2019	FY2020
Non-current assets	1,584,442	2,386,490	3,562,491	5,156,142	**5,861,284**
Current assets	517,100	668,378	869,109	1,196,056	**1,826,157**
Total assets	2,101,542	3,054,868	4,431,600	6,352,198	**7,687,441**
Current liabilities	109,538	162,362	855,373	488,976	**985,662**
Non-current liabilities	1,141,700	1,185,866	1,258,305	2,612,110	**2,896,574**
Total liabilities	1,251,238	1,348,228	2,113,678	3,101,086	**3,882,236**
Net assets	850,304	1,706,640	2,317,922	3,251,112	**3,805,205**
Equity attributable to owners of the Company	766,226	1,580,085	2,090,039	3,026,254	**3,596,209**
Non-controlling interests	84,078	126,555	227,883	224,858	**208,996**
Total equity	850,304	1,706,640	2,317,922	3,251,112	**3,805,205**

Group Financial Summary

FINANCIAL METRICS

Financial Year	FY2016	FY2017	FY2018	FY2019	FY2020
EBITDA (US$'000) [1]	201,281	369,661	384,212	549,091	**571,177**
Adjusted EBITDA (US$'000) [1]	106,014	181,935	239,586	358,933	**366,004**
Core PATMI (US$'000) [1]	12,743	126,804	147,619	226,723	**259,941**
Net debt (US$'000) [2]	349,720	232,644	879,094	1,686,711	**1,779,848**
Net debt/total assets	16.6%	7.6%	19.8%	26.6%	**23.2%**

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

(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)	FY2016	FY2017	FY2018	FY2019	FY2020
Profit before tax	139,732	273,174	270,587	360,334	**410,704**
Add/(less):					
Depreciation and amortisation	6,059	8,061	10,226	16,363	**17,141**
Finance costs	55,992	90,903	104,929	180,368	**147,414**
Interest income	(502)	(2,477)	(1,530)	(7,974)	**(4,082)**
EBITDA	201,281	369,661	384,212	549,091	**571,177**
Add/(less):					
Equity-settled share option expense	75	11,923	23,157	18,469	**14,082**
Exchange (gain)/loss	(916)	(4,431)	869	1,111	**5,425**
Fair value gains on investment properties	(106,559)	(195,218)	(172,467)	(226,083)	**(224,680)**
Listing expenses	—	—	2,521	16,345	**—**
Fair value loss on derivative financial instruments	12,133	—	—	—	**—**
Write-off related to loss of property, plant and equipment	—	—	9,632	—	**—**
One-off insurance compensation	—	—	(8,338)	—	**—**
Adjusted EBITDA	106,014	181,935	239,586	358,933	**366,004**
Profit after tax and minority interests	88,267	186,265	203,042	245,177	**286,466**
Add/(less):					
Fair value gains on completed investment properties	(100,799)	(95,179)	(109,688)	(68,568)	**(53,717)**
Equity-settled share option expense	75	11,923	23,157	18,469	**14,082**
Listing expenses	—	—	2,521	16,345	**—**
Tax effect of adjustments	25,200	23,795	28,587	15,300	**13,110**
Core PATMI	12,743	126,804	147,619	226,723	**259,941**

Corporate Information

EXECUTIVE DIRECTORS
Mr Jinchu SHEN (Co-CEO)
Mr Stuart GIBSON (Co-CEO)
Mr Charles Alexander PORTES (President)
(until 31 December 2020 and redesignated as non-executive director from 1 January 2021)

NON-EXECUTIVE DIRECTORS
Mr Jeffrey David PERLMAN (Chairman of the Board)
Mr Joseph Raymond GAGNON
(until 23 August 2020)
Mr Zhenhui WANG
(until 15 January 2021)
Mr Ho Jeong LEE
(until 31 December 2020)
Mr Wei HU
(w.e.f 2 February 2021)
Mr David Alasdair William MATHESON
(w.e.f 30 March 2021)

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

MEMBERS OF AUDIT COMMITTEE
Mr Simon James MCDONALD (Chairman)
Mr Joseph Raymond GAGNON
(until 23 August 2020)
Mr Ho Jeong LEE
(until 31 December 2020)
Mr Brett Harold KRAUSE
Mr Robin Tom HOLDSWORTH

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

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

AUTHORISED REPRESENTATIVES
Mr Jinchu SHEN
Mr Richard Kin-sing LEE

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
2406-07 Man Yee Building, 68 Des Voeux Road, Central Hong Kong

REGISTERED OFFICE
Walkers Corporate Limited
190 Elgin Avenue, George Town,
Grand Cayman KY1-9008,
Cayman Islands
(w.e.f. 1 February 2021)

PRINCIPAL BANKERS
Australia and New Zealand Banking Group Limited
Bank of China
China Merchants Bank Co., Ltd
Citibank N.A., Singapore Branch
Crédit Agricole Corporate and Investment Bank, Hong Kong branch
Credit Suisse AG
DBS Bank Ltd.
Deutsche Bank AG Singapore Branch
E. Sun Commercial Bank, Ltd
Goldman Sachs Bank USA
MUFG Bank, Ltd
RHB Bank Berhad
Standard Chartered Bank
SRCB Shanghai
Sumitomo Mitsui Banking Corporation
The Hong Kong and Shanghai Banking Corporation Limited
United Overseas Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Walkers Corporate Limited
190 Elgin Avenue, George Town,
Grand Cayman KY1-9008,
Cayman Islands
(w.e.f. 1 February 2021)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17/F
Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

AUDITOR
Ernst & Young

COMPLIANCE ADVISOR
Octal Capital Limited

WEBSITE
www.esr.com

STOCK CODE
The Stock Exchange of Hong Kong Limited Code: 1821

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