ESR

ESR Cayman Limited
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1821

REACHING NEW HEIGHTS

ANNUAL REPORT 2021

SPACE AND INVESTMENT SOLUTIONS FOR A SUSTAINABLE FUTURE

ESR is APAC's leading real asset manager powered by the New Economy. On the back of the accelerating advancement, broad-based adoption and high frequency usage of technology, we are witnessing a once-in-a-multi-generation change in real estate and our vision is to deliver a fully integrated solution to leading global capital partners and customers. As a part of this continuous pursuit, we will leverage our scale, extensive offerings, capabilities and resources to provide a suite of best-in-class real estate development products and real asset investment solutions that spur meaningful, long-term sustainable growth of the business, the economy and the environment. We are fully focused on contributing to a positive impact for our employees, customers, investors and the communities around us.

Visit esr.com for more information.

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 real assets 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.

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CORPORATE GOVERNANCE

PRO FORMA ESR GROUP

ESR STANDALONE FY2021 FINANCIAL STATEMENT

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

SEIZING NEW OPPORTUNITIES

ESR Chigasaki Distribution Centre, Japan

17.7 MILLION SQM

IN DEVELOPMENT PIPELINE

RECORD

US$5.8 BILLION

IN CAPITAL FUNDRAISING

ESR's landmark acquisition of ARA Asset Management ("ARA") enables us to capitalise on collective experience and expertise to further strengthen the Group's business in diverse and dynamic ways. The addition of LOGOS – ARA's subsidiary who is a logistics and data center specialist, cements ESR's position as the region's largest New Economy real estate platform in the APAC region.

ENHANCING CORE COMPETENCIES

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

94% **HIGH OCCUPANCY**

ACROSS PORTFOLIO IN FY2021

US$3.3 **BILLION**

OF NEW DEVELOPMENT STARTS

Our integrated business model enables us to tap into today's secular trends with a dedicated focus on e-commerce tenants within APAC. Guided by key growth strategies led by a capable management team, we will optimise our capabilities and resources and transform them into sustainable value for our stakeholders.

GENERATING GREATER YIELD

Opo Logistics Park, South Korea

We believe in creating value for the future. In our continuous pursuit of excellence, we will seek to better leverage our scale, offerings and capabilities to provide a suite of best-in-class real estate development products and real asset investment solutions that generates long-term returns for our business, customers and investors.

59.1%
NET DEBT/EQUITY

ROBUST LANDBANK OF
3.9 MILLION SQM

ESR STANDALONE FY2021 STRATEGIC REPORT

ESR STANDALONE FY2021 FINANCIAL HIGHLIGHTS

TOTAL SEGMENTAL EBITDA
US$777 MILLION
17.2%

CASH
US$1.6 BILLION

CORE PATMI[1]
US$316 MILLION
21.6%

MARKET CAPITALISATION[2]
US$14.0 BILLION

FUND MANAGEMENT EBITDA
US$199 MILLION
34.8%

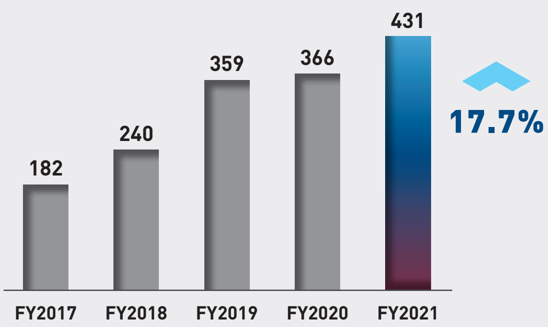
WEIGHTED AVERAGE INTEREST COST
4.1%

Notes:

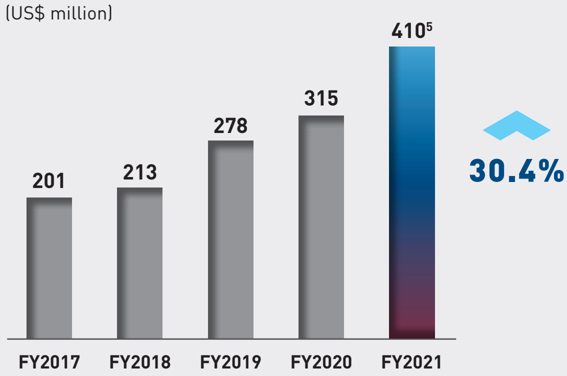
1 Core PATMI is calculated as profit after tax and minority interests, adding back equity-settled share option expense and transaction costs relating to ARA, and less the effect of fair value gains on completed investment properties (net of tax). Refer to non-IFRS measures reconciliation on page 240.

2 Based on 4,471,294,303 of total outstanding issued shares as at 24 March 2022.

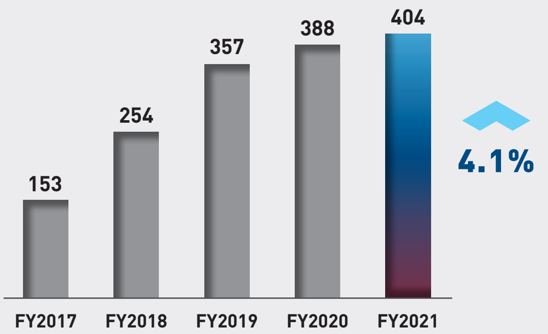
Adjusted EBITDA[3]
(US$ million)



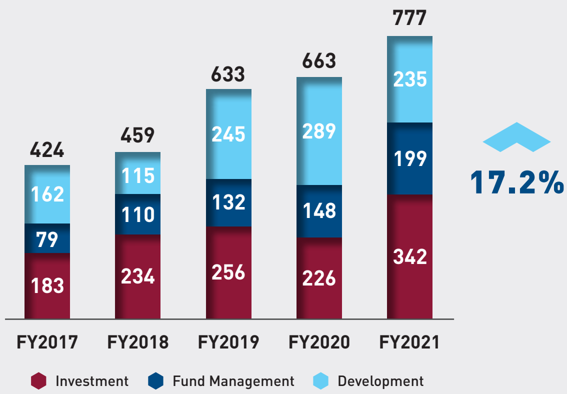
Profit after Tax
(US$ million)



Revenue
(US$ million)



Total Segmental Result
(US$ million)



BALANCE SHEET (US$ million)	FY2017	FY2018	FY2019	FY2020	FY2021
Total Assets	3,055	4,432	6,352	7,687	**9,338**
Cash and bank balances	601	581	884	1,515	**1,638**
Bank and other borrowings	833	1,460	2,571	3,295	**4,248**
Net debt[4]	233	879	1,687	1,780	**2,610**
Net debt/total assets	7.6%	19.8%	26.6%	23.2%	**27.9%**

Notes:

3 Adjusted EBITDA is calculated as profit before tax, adding back depreciation and amortisation, exchange loss/(gain), finance costs, equity-settled share option expense, write-off related to loss of property, plant and equipment, transaction costs relating to ARA 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.

4 Net debt is calculated as bank and other borrowings less cash and bank balances

5 Excludes transaction costs related to ARA

* EBITDA, Adjusted EBITDA and Core PATMI are non-IFRS measures. These measures are presented because the Group believes they are useful measures to determine the Group's financial condition and historical ability to provide investment returns. EBITDA, Adjusted EBITDA and Core PATMI and any other measures of financial performance should not be considered as an alternative to cash flows from operating activities, a measure of liquidity or an alternative to net profit or indicators of the Group's operating performance on any other measure of performance derived in accordance with IFRS. Because EBITDA, Adjusted EBITDA and Core PATMI are not IFRS measures, these may not be comparable to similarly titled measures presented by other companies. Refer to non-IFRS measures reconciliation on page 240.

ESR STANDALONE FY2021 STRATEGIC REPORT

ESR STANDALONE FY2021 OPERATIONAL HIGHLIGHTS

RECORD FUNDRAISING OF
US$5.8 BILLION
of new capital from nine new/upsized funds/mandates

UNCALLED CAPITAL OF
US$5.7 BILLION
committed to be invested

RECORD LEASING OF
3.3 MILLION SQM
of space[1] across portfolio

E-COMMERCE AND 3PLS REMAIN KEY DRIVERS OF DEMAND REPRESENTING
67%
of portfolio leases[2]

RECYCLED CAPITAL OF OVER
US$800 MILLION
by divesting balance sheet assets into ESR managed funds

RECORD FUND AUM OF
US$35.6 BILLION
a year-on-year increase of 31%

Notes:
1 Based on investment properties on balance sheet and investment properties held in funds and investment vehicles.
2 Based on FY2021 income
3 Based on estimated total cost
4 Based on investment properties on balance sheet and portfolio investment properties in funds and investment vehicles by leased area and by income as at 31 December 2021.

RECORD DEVELOPMENT STARTS OF
US$3.3 BILLION[3]

ASIA'S LARGEST DEVELOPMENT WORKBOOK
US$7.1 BILLION
of Work-In-Progress ("WIP")[3]

>90%
of WIP to be completed 2022-2024

STRONG PORTFOLIO OCCUPANCY OF
94%[1]

WELL-STAGGERED PORTFOLIO WALE OF
3.9 YEARS[4]

ROBUST LANDBANK OF
3.9 MILLION SQM
of GFA

ESR Yokohama Sachiura Distribution Centre 1, Japan

FY2021
YEAR IN REVIEW

FEBRUARY

- ESR Australia partnered with DHL Supply Chain to develop a 70,000 sqm custom solar-powered and carbon-neutral pharmaceutical distribution facility at ESR Bringelly Road Business Hub.

MARCH

- ESR was selected as a constituent of Hang Seng Composite Index, and included in the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect programmes.
- In India, a 38-acre industrial and logistics park is planned in Chakan, to serve as the hub for light manufacturing and logistics in the country's western region.
- In Australia, ESR acquired a fully leased office and warehouse complex in Macquarie Park NSW for A$71 million, that is slated for a planned redevelopment into A-Grade office buildings.
- ESR issued S$200 million NC5 fixed rate perpetual resettable step-up subordinated securities at a distribution rate of 5.65%.

APRIL

- ESR acquired its first key data centre asset in Osaka, Japan, which will be developed into a multi-phase data centre campus.
- In India, ESR leased 108,000 sq. ft. of industrial space at ESR Oragadam Industrial & Logistics Park to CUBIC.

MAY

- In Japan, ESR and M&G Real Estate Asia ("M&G") purchased a significant stake in ESR Ichikawa Distribution Centre through a long-term core investment joint venture, from ESR-managed Redwood Japan Logistics Fund II ("RJLF II").
- ESR acquired its first strategic asset in Hong Kong's Kwai Chung district, which will be converted into a data centre.
- ESR entered into a joint venture with BW Industrial Development Joint Stock Company ("BW") for a 240,000 sqm industrial development project near Ho Chi Minh City, marking its maiden entry into Vietnam.
- ESR divested 10.0% of stake in ESR Australia Logistics Partnership ("EALP") to ESR-REIT for A$60.5 million, marking ESR-REIT's first acquisition from the Sponsor's pipeline and overseas expansion.
- In Australia, ESR secured pre-commitments of 36,000 sqm of warehouse space from two anchor tenants at ESR Horsley Logistics Park.

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

- ESR entered into a US$400 million senior unsecured corporate term loan facility at Libor +2.75% and Libor +3.25% for 3-year and 5-year tranches, respectively.
- Canada Pension Plan Investment Board ("CPP Investments") and ESR upsized their investments in the Korea Income Joint Venture to US$1 billion.
- ESR received its inaugural MSCI ESG Rating of 'A' in recognition of its ESG practices.


ESR Oragadam Industrial & Logistics Park, India

JUNE

- Construction commenced on 195,373 sqm ESR Yokohama Sachiura Distribution Centre 2, the second phase of the master-planned ESR Yokohama Sachiura Logistics Park which is set to be the largest logistics park in Japan when fully completed.
- ESR Australia completed the acquisition of A$3.8 billion Milestone Portfolio and its associated operating business from Blackstone, in partnership with GIC.
- ESR Australia commenced redevelopment of Acacia Ridge Business Park in Brisbane, Australia.
- ESR issued a further S$150 million NC5 fixed rate perpetual resettable step-up subordinated securities at a distribution rate of 5.65%


34 Davis Street, Wetherill Park, New South Wales, Australia

JULY

- ESR Japan Logistics Fund III ("RJLF3") was upsized to JPY150 billion to fund development of large-scale logistics facilities in the major metropolitan areas of Japan.
- In India, ESR signed a MOU with the Government of Tamil Nadu Government to set up two industrial parks for INR 550 crores.
- ESR announced its plan to develop a 36.5-acre Grade A industrial and logistics park in North Gujarat, India.
- ESR Clayton Business Hub is fully pre-committed ahead of its expected completion in mid-2022 with a 10-year lease signed with a global toy retailer.
- ESR Australia Logistics Partnership II ("EALP II"), an extension of ESR's core plus logistics strategy in Australia, received an initial A$600 million commitment.
- M&G committed A$200 million to ESR Australia Development Partnership ("EADP").

AUGUST

- ESR announced its proposed acquisition of ARA Asset Management (ARA) (including LOGOS) for US$5.2 billion.
- In China, ESR established ESR China Development Platform ("ECDP") with an initial equity commitment of US$1 billion with APG Asset Management ("APG") and another global institutional investor.
- In Japan, ESR and M&G acquired a significant stake in ESR Yatomi Distribution Centre from RJLF II.

OCTOBER

- ESR announced proposed merger of ESR-REIT with ARA LOGOS Logistics Trust to form a future-ready New Economy APAC S-REIT named ESR-LOGOS REIT.
- ESR launched its new ESR Japan Income Fund ("JIF") with US$750 million of equity commitments.

NOVEMBER

- ESR's proposed acquisition of ARA was approved by shareholders with over 90% approval at its EGM.
- ESR secured its first Sustainability-Linked Loan of US$700 million, which was subsequently upsized to US$1 billion at Libor +2.25% and Libor +2.75% for 3-year and 5-year tranches, respectively.

ESR STANDALONE FY2021 STRATEGIC REPORT

AWARDS & ACCOLADES

CORPORATE EXCELLENCE

PERE AWARDS 2021

Deal of the Year: Asia

2021 PERE GLOBAL AWARDS
- Deal of the Year: Asia
  Acquisition of ARA Asset Management
- Industry Figure of the Year: Asia
  Jeffrey Perlman, Chairman, ESR / Managing Director, Head of Asia Pacific Real Estate and Southeast Asia, Warburg Pincus

EY ENTREPRENEUR OF THE YEAR™ 2021 – REAL ESTATE CATEGORY
- Jinchu Shen and Stuart Gibson, Co-founders & Co-CEOs, ESR

AUSTRALIA'S TOP FIVE PROPERTY PLAYERS IN 2021, THE AUSTRALIAN FINANCIAL REVIEW MAGAZINE
- Philip Pearce, CEO, ESR Australia

IR MAGAZINE AWARDS – GREATER CHINA 2021
- IR Magazine's Choice Award for Innovation in IR

6TH GOLDEN HONG KONG STOCK AWARDS
- Best Hong Kong Stock Connect Company

PERE 2021 APAC FUND MANAGER GUIDE
- 5th of "Asia's Top Fundraisers"

IREI GLOBAL INVESTMENT MANAGERS 2021 SPECIAL REPORT

Largest Investment Managers by Region:
- 3rd of "Top 10 Managers Based on Asia Assets (US$ million)"

Total Assets Rankings:
- 44th of "Total Gross Value of Real Estate Assets Under Management (US$ million, as of 31 Dec 2020)"
- 48th of "Advisory Separate Accounts by Investor Domicile (gross, US$ million, as of 31 Dec 2020)"
- 36th of "Value and Number of Vehicles Under Management (gross, US$ million, as of 31 Dec 2020)"

Indices Inclusions
- Constituent of Hang Seng Composite Index from 15 March 2021
- Constituent of Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect programmes from 15 March 2021

PRODUCT EXCELLENCE

2020 WINNER BEST INFRASTRUCTURE, COMMUNITY & CIVIC BUILDING GOLD mipim ASIA AWARDS

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

REALTY+ CONCLAVE & EXCELLENCE AWARDS 2021
- Best Industrial Project of the Year
  ESR Chakan 1 Industrial & Logistics Park

ESR Amagasaki Distribution Centre

SUSTAINABILITY

MSCI ESG RATING ASSESSMENT – "A"

MSCI ESG RATINGS

CCC | B | BB | BBB | A | AA | AAA

GLOBAL REAL ESTATE SUSTAINABILITY BENCHMARK (GRESB)

- **South Korea**: ESR Kendall Square Development JV 1 named "Regional Sector Leader" in the Development Benchmark, industrial real estate sector. Obtained 5* rating, topped five "GRESB Development" rankings.
- **Japan**: Redwood Japan Logistics Fund II LP, RJLF 3 Co-Investment Platform and PGGM RJLC LP topped several "GRESB Development" rankings. All funds obtained 5* rating.
- **China**: Redwood China Logistics Fund LP topped the "China industrial distribution warehouse non-listed" of "GRESB Development" category. Received 1st of "GRESB Score within industrial non-listed opportunistic" category in the "GRESB Standing Investments" Benchmark assessment.

THE ASSET ESG CORPORATE AWARDS 2021

- Titanium Award winner: ESR-REIT

SUSTAINABLE BUILDING CERTIFICATIONS IN 2021

Leadership in Energy and Environmental Design (LEED) Certifications

- Gold: 3 assets
- Silver: 6 assets
- Certified: 3 assets

CASBEE

Comprehensive Assessment System for Built Environment Efficiency (CASBEE)

- 5 assets

International WELL Building Institute (WELL)

- 22 assets

Building-Housing Energy-Efficiency Labeling System (BELS) Certification

- ESR Yatomi Kisosaki Distribution Centre (5*)

Refer to ESR's ESG Report 2021 for more information on Sustainable Building Certifications at **www.esr.com/en/esg/esg-reports/**

ESR Yatomi Kisosaki Distribution Centre, Japan

ESR STANDALONE FY2021 STRATEGIC REPORT

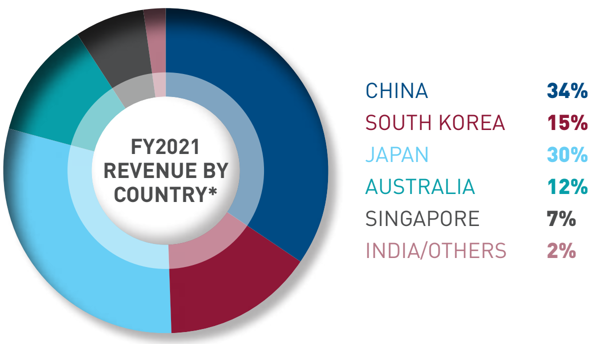
FINANCIAL REVIEW

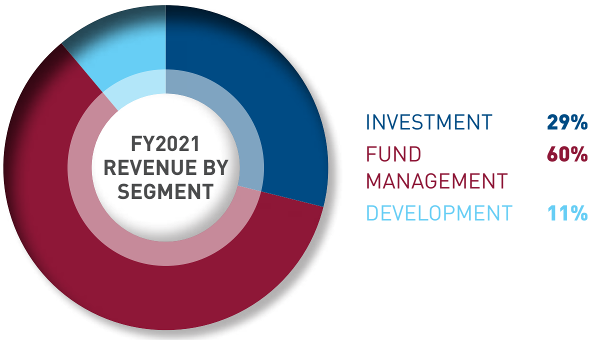
The Group has delivered another outstanding performance for the year ended 31 December 2021, with a robust and well-capitalised balance sheet backed by US$1.6 billion cash balance and net debt over total assets of 27.9% as of year-end. This is in line with ESR's focus on advancing its asset light strategy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

Key Financial Highlights:

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

Revenue





*excludes construction revenue

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

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

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

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

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

PATMI AND EBITDA

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

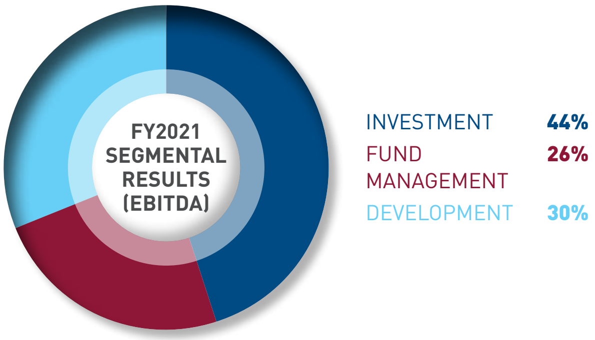
Fair value gain on investment properties increased by 22.2% to US$274.5 million in FY2021 from US$224.7 million in FY2020. The increase was mainly contributed by completed and development assets in China, as well as data centre assets acquired in Osaka, Japan and Hong Kong during the year.

The Group's share of profits from joint ventures and associates increased close to 60.0% from US$105.1 million in FY2020 to US$168.1 million in FY2021. The growth is driven by the Group's investment in South Korea and ESR Milestone Partnership ("Milestone Portfolio") in Australia. The acquisition of the A$3.8 billion Milestone Portfolio comprising 45 high-quality, income producing assets over 3.6 million sqm and the associated operating business, by ESR Australia was completed in June 2021. Milestone Portfolio value that has increased by 5.5% in six months since acquisition contributed to the Group's share of its results. Additionally, the Group recorded higher share of results in its co-investment in South Korea driven by higher assets value appreciation.

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

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

SEGMENT RESULTS



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

In FY2021, the Group recorded dividend income of US$32.6 million received from Japan co-investments. Accordingly, the Group recorded share of reduction in the carrying value in these co-investments of US$32.0 million in aggregate. Excluding such amount, the change in carrying value of financial assets and liabilities at fair value through profit or loss would have been a gain of US$28.1 million.

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

ESR STANDALONE FY2021 STRATEGIC REPORT

FINANCIAL REVIEW

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

ASSETS

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

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

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

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

LIABILITIES

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

During the year, the Group continued to diversify its funding sources and lower its borrowings costs to support its long-term growth:

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

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

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

TOTAL EQUITY

Total equity has increased from US$3.8 billion as of 31 December 2020 to US$4.4 billion as of 31 December 2021, primarily from net profit for the year of US$382.7 million and US$256.3 million (net of issuance costs) from the perpetual securities. In March 2021, the Company issued an aggregate principal amount of S$200 million (approximately US$148.6 million) NC5 fixed rate perpetual resettable step-up subordinated securities at a distribution rate of 5.65% ("Perpetual Securities NC5 5.65%") under its US$2.0 billion Multicurrency Debt Issuance Programme. In June 2021, the Company issued a further tranche within the Perpetual Securities NC5 5.65% with an aggregate principal amount of S$150 million (approximately US$111.6 million) bringing the aggregate total amount to S$350 million (approximately US$260.2 million). In addition, there was a gain of US$45.7 million arising from mark-to-market of Group's investment in listed securities (classified as financial assets at fair value through other comprehensive income).

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

ESR STANDALONE FY2021 STRATEGIC REPORT

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.

During FY2021, the Group continues to be focused on its asset light approach, with over US$800 million of divestments from balance sheet to ESR managed funds and received over US$500 million net cash which was subsequently recycled back for future growth. In May 2021, ESR-REIT embarked on its maiden overseas acquisition outside Singapore by taking a 10% stake in ESR Australia Logistics Partnership ("EALP"), an existing Australian core fund managed by ESR's Australian platform. This transaction also marked ESR-REIT's first acquisition from the Group's APAC pipeline. In June 2021, ESR Kendall Square REIT also completed the acquisition of the Anseong Logistics Park from the existing core fund managed by ESR's Korean platform. In July 2021, the Group fully exited its investment in Centuria Capital Group ("CNI"), a leading real estate fund manager in Australia, with A$272 million (approximately US$207.4 million) of total gross proceeds. The investment generated a 23.0% unleveraged IRR[1].

Total borrowings of the Group was US$4.2 billion as of 31 December 2021. With well-capitalised balance sheet at US$1.6 billion in cash, the net debt over total assets was 27.9% as of 31 December 2021. On a pro forma enlarged group basis as of 31 December 2021, post-completion of acquisition of ARA Asset Management Limited and its subsidiaries ("ARA Acquisition"), the net gearing has been reduced to 20.4%.

Throughout the year, the Group continues to expand and diversify its funding and capital structure, which is crucial for fuelling the Group's long-term growth.

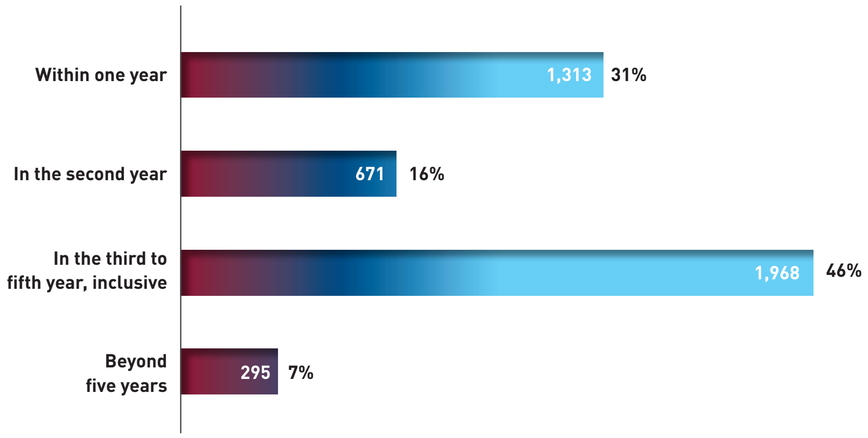
- In March 2021, ESR issued S$200 million (approximately US$148.6 million) NC5 fixed rate perpetual resettable step-up subordinated securities at a distribution rate of 5.65% ("Perpetual Securities NC5 5.65%") under its US$2.0 billion Multicurrency Debt Issuance Programme ("EMTN Programme").

- In April 2021, the Group entered into a US$400 million (with a US$100 million incremental option) unsecured term loan facility which consists of a three-year tranche of US$267 million at Libor plus 2.75% and a five-year tranche of US$133 million at Libor plus 3.25%. There were 10 banks participating in the new facility which included both international and Asian financial institutions.

- In June 2021, ESR issued a further tranche within the Perpetual Securities NC5 5.65% amounting to S$150 million (approximately US$111.6 million), bringing the aggregate total amount to S$350 million (approximately US$260.2 million).

- In November 2021, the Group closed its first Sustainability-Linked Loan ("SLL") of US$700 million which was subsequently upsized to US$1 billion, at Libor+2.25% and Libor +2.75% for 3-year and 5-year tranches respectively. The loan has a tiered incentive mechanism whereas ESR will be entitled to an interest

Debt Maturity Profile of Borrowings
As at 31 December 2021 (US$ million)



Note:
1 Includes dividends.

reduction as sustainability targets are achieved. The first US$500 million was drawn down in November 2021 and another US$500 million has been drawn down post year-end.

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

The Group manages its interest rates exposure by maintaining a combination of fixed and floating rate borrowings. As of 31 December 2021, 30% of the Group's borrowings were on fixed rate while the remaining 70% were 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 4.1% at end-December 2021, 50bps lower than 4.6% at end-December 2020.

The Group manages and monitors its debt maturity profile proactively. 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. After refinancing with longer tenor corporate borrowings, the Group's weighted average debt maturity had increased to approximately 4.5 years as of 31 December 2021, from 3 years as of 31 December 2020.

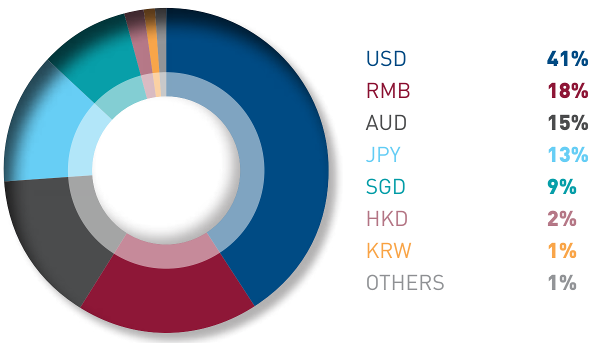
Subsequent to year-end, the Group had repaid approximately US$450 million (i.e., 35%) of the US$1.3 billion borrowings due within a year which included the S$350 million 6.75% fixed-rate notes; with another US$425 million (i.e., 32%) relating to its US$425 million 7.875% fixed-rate notes to be repaid on 4 April 2022.

The Group has exposures to foreign exchange rate fluctuations primarily from its investments and income from its subsidiaries, associates and joint ventures in China, Japan, South Korea, Australia, Singapore and India. The Group manages and minimises its foreign currency exposures by natural hedges using various currencies via project and corporate level. Operating and development activities of each country are funded mainly 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.

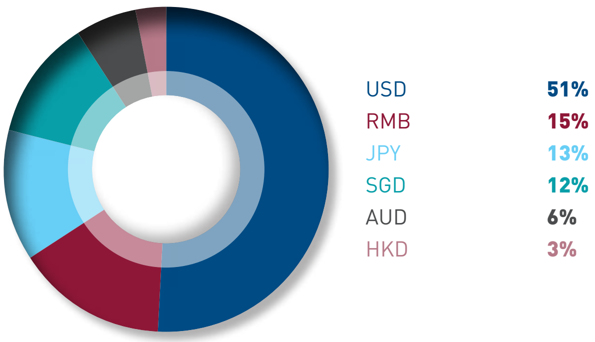
The Group continues to closely monitor the interest and exchange rates movements and evaluate such impact to its portfolio. The Group will consider using financial derivatives as additional tools when appropriate to manage foreign currency and interest rate exposures.

As of 31 December 2021, currency profile of the Group's cash and bank balances; and bank and other borrowings are as below:

Cash and Bank Balances
As at 31 December 2021



Bank and Other Borrowings
As at 31 December 2021



CHARGE OF ASSETS

As of 31 December 2021, certain of the Group's assets were pledged to secure bank and other borrowings granted to the Group. The details of charged assets are disclosed in Note 25 to the Consolidated Financial Statements. Except for the aforementioned charges, all the Group's assets are free from any encumbrances.

CONTINGENT LIABILITIES

As of 31 December 2021, neither the Group nor the Company had any significant contingent liabilities.

ESR STANDALONE FY2021 STRATEGIC REPORT

PROPERTY PORTFOLIO

Development properties held on balance sheet

As at 31 December 2021

City	Property Name	Status	Estimated Completion Year	GFA (sqm)	Interest held by our Company	Type
CHINA						
Chengdu	Chengdu Qingbaijiang (Phase I, II III), Gaoping Nan Road South, Tongxin Road East, Qingbaijiang District, Chengdu	Superstructure in progress	2022	113,112	51%	Logistics Facility
Fenhu	Fenhu Dafuhao, Fenhu Road No. 558, Lili Town, Wujiang District, Suzhou City	Superstructure in progress	2023	221,689	100%	Logistics Facility
Kunshan	Kunshan Zhonggang, Shuanghua Road No. 168, Huaqiao Town, Kunshan City, Jiangsu Province	Land	2023	150,842	100%	Land
Shanghai	Shanghai Yurun (Phase I and II) No. 2989 Baishi Highway, Baihe Town, Qingpu District, Shanghai	Superstructure in progress	2022 and 2023	559,637	70%	Logistics Facility
	Shanghai Yinu, Yinzhong Village, Qingpu Town, Qingpu District	Land	2023	120,729	100%	Land
Suzhou	Suzhou Yixiang, No. 28 Yongchang Road, Xiangcheng Economic Technology District	Superstructure in progress	2022	191,530	100%	Logistics Facility
Jiaxing	Jiaxing Haining, East of Haining Avenue and north of Anzheng Shishang, Haining Economic Development Zone, Haining	Interior finishing	2022	108,161	100%	Logistics Facility
JAPAN						
Tokyo	RW Higashi-Ogijima DC, Site B 23-1 and other tracts, Higashiogishima, Kawasaki-ku, Kawasaki-shi, Kanagawa-ken	Planning	N/A	305,997	70%	Logistics Facility
	ESR Sachiura 2A DC, 8-5, Sachiura 1-chome, Kanazawaku, Yokohama-shi, Kanagawa-ken, 236-0003	Land	N/A	167,366	100%	Land
	ESR Sachiura 2B DC, 8-4, Sachiura 1-chome, Kanazawaku, Yokohama-shi, Kanagawa-ken, 236-0003	Land	N/A	163,622	100%	Land

PROPERTY PORTFOLIO

Major Investment properties held on balance sheet

As at 31 December 2021

City	Project Name	Status	GFA (sqm)	Tenure	Lease Expiry	Interest held by our Company	Type
CHINA							
Changsha	Changsha EDZ P1, No. 1 Huangjiachong Lane, Langli Sub-district, Changsha County, Changsha, Hunan Province	Completed	22,426	Leasehold	2067	100%	Logistics Facility
	Changsha EDZ P2, No. 18 South Dongshier Road, Changsha Economic Development Zone, Changsha, Hunan Province	Completed	63,881	Leasehold	2067	100%	Logistics Facility
Chongqing	Chongqing Yongxiang, Zone M, Chayuan Group, Nan'an District, Chongqing	Completed	148,057	Leasehold	2067	100%	Logistics Facility
Dongguan	Dongguan Machong, Xinji Village, Machong Town, Dongguan City, Guangdong Province	Completed	85,066	Leasehold	2062	100%	Logistics Facility
	Dongguan Hongmei, Hongwuwo Village, Hongmei Town, Dongguan, Guangdong Province	Completed	62,343	Leasehold	2063	100%	Logistics Facility
	Dongguan Hongmei - Mingfeng, Hongwuwo Village, Hongmei Town, Dongguan, Guangdong Province	Completed	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	Completed	29,287	Leasehold	2069	55%	Logistics Facility
Jilin	Jilin Daling, South of Fumin Street, Daling Vehicle Logistics Park, Gongzhuling, Jinlin Province	Completed	94,412	Leasehold	2068	100%	Logistics Facility
Jurong	Xiexin Jurong, No 188 Konggang Road, Konggang New district, Guozhuang Town, Jurong City	Completed	165,098	Leasehold	2067	100%	Logistics Facility
Kunshan	Jiangsu Friend - I, No. 718 & 818 Xinsheng Road, Huaqiao Town, Kunshan, Jiangsu Province	Completed	135,081	Leasehold	2054	100%	Logistics Facility
	Jiangsu Friend - II, No. 516 Fengshan Road, Huaqiao Town, Kunshan, Jiangsu Province	Completed	85,674	Leasehold	2056	100%	Logistics Facility

ESR STANDALONE FY2021 STRATEGIC REPORT

PROPERTY PORTFOLIO

Major Investment properties held on balance sheet

As at 31 December 2021

City	Project Name	Status	GFA (sqm)	Tenure	Lease Expiry	Interest held by our Company	Type
Kunshan	Jiangsu Friend - III, No. 369 Pengqing Road, Huaqiao Town, Kunshan, Jiangsu Province	Completed	206,418	Leasehold	2056	100%	Logistics Facility
Langfang	Langfang Weidu, No.14 Fengwu Road, Economic and Technical Development Zone, Langfang, Hebei Province	Completed	71,687	Leasehold	2061	100%	Logistics Facility
	Langfang Hengjia, No. 437 Chunhe Road, High-Tech Industrial Development Zone, Langfang	Completed	81,950	Leasehold	2069	100%	Logistics Facility
	Langfang Hongke, No. 29 Yunqi Avenue, Longhe High-tech Industrial Development Zone, Langfang	Completed	34,475	Leasehold	2067	100%	Logistics Facility
	Langfang Yisi, No. 158 Jingming Road, Langfang Hi-Tech Industrial Development Zone, Langfang	Completed	72,455	Leasehold	2063	100%	Logistics Facility
Shanghai	Jiangnan Chuanting, 4/9 Qiu, 11 Neighbourhood, Zhelin Town, Fengxian District, Shanghai	Completed	35,533	Leasehold	2058	100%	Logistics Facility
Shenyang	Shenyang Yibei, No. 1 Dongxuehu Street, Shenbei New District, Shenyang, Liaoning Province	Completed	74,442	Leasehold	2066	100%	Logistics Facility
Tianjin	Tianjin Fanbin - Warehouse#ABCEF, No. 78 Fuyuan Avenue, Dawangguzhuang Town, Wuqing District, Tianjin	Completed	106,616	Leasehold	2064	100%	Logistics Facility
	Tianjin Fanxin, No. 80 Fuyuan Road, Jingbin Public Industrial Park, Dawangzhuang Town, Wuqing District, Tianjin	Completed	75,427	Leasehold	2064	90%	Logistics Facility
Wuhan	Wuhan Denso, West of the intersection of Huayuanwan Second Street (花園灣二街) and Zhulin Fourth Road (竹林四路), Daji Street (大集街), Caidian District, Wuhan Hubei Province	Completed	39,477	Leasehold	2069	100%	Logistics Facility
Wuxi	Wuxi Lekun, No. 182 Xishan Avenue, Xinwu District, Wuxi, Jiangsu Province	Completed	89,116	Leasehold	2066	100%	Logistics Facility

City	Project Name	Status	GFA (sqm)	Tenure	Lease Expiry	Interest held by our Company	Type
Zhejiang	Zhejiang Yijia (Tongxiang), Jinxiu Road No. 858, Chongfu Town, Tongxiang City, Jiaxing	Completed	41,296	Leasehold	2060	90%	Logistics Facility
JAPAN							
Osaka	IBM Nanko Data Centre 5-1 chōme, Nanko-kita, Suminoe Ward, Osaka City	Completed	28,268	Freehold		100%	Data Centre
AUSTRALIA							
New South Wales	45-50 Waterloo Rd, Macquarie Park	Completed	7,156	Freehold		100%	Logistics Facility
HONG KONG							
Hong Kong	Brilliant Cold Storage Tower 2, Nos. 11 – 19 Wing Yip Street, Kwai Chung, New Territories, Hong Kong	Completed	27,300	Leasehold	2047	100%	Logistics Facility

ESR STANDALONE FY2021 STRATEGIC REPORT

ESG 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 THE SOCIETY AND ENVIRONMENT FOR THE LONG-TERM BENEFIT OF ALL STAKEHOLDERS.

SUSTAINABILITY AT A GLANCE

In 2021, we continue to organise the material ESG topics for our business into 14 Focus Areas under three pillars based on our 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
- Flexible & Adaptable Properties
- Strategic Locations

PILLAR 3 CORPORATE PERFORMANCE

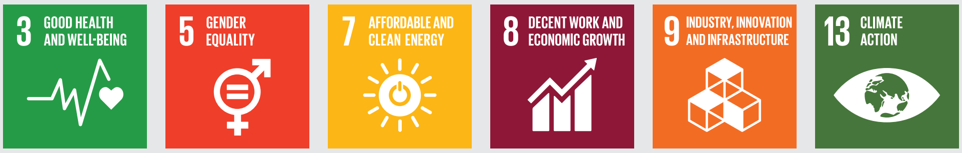
Strong corporate performance is the foundation upon which we will achieve sustained and balanced growth, resulting in stable returns over the long-term.

Focus Areas:

- Corporate Governance
- Risk Management
- Responsible Investment
- Disclosure & Reporting

SUSTAINABLE DEVELOPMENT GOALS

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



The ESR ESG Report 2021, which will contain further information about our ESG management and approaches and disclosures required under the HKEX Mainboard Listing Rules, will be published on the websites of the Stock Exchange and the Company at www.esr.com/en/esg/esg-reports/ in May 2022.

On 20 January 2022, ESR successfully acquired ARA Asset Management Limited ("ARA"), including its subsidiary LOGOS, to become APAC's largest real asset manager and third largest listed real estate investment manager globally. Going forward, the scope of the ESG Report in the following year will include ARA as part of the enlarged Group.

The next few pages provide an overview of our ESG priorities and performance for FY2021.

ESR STANDALONE FY2021 STRATEGIC REPORT

ESG PERFORMANCE

PILLAR 1
HUMAN CENTRIC

The first pillar of our ESG framework focuses on the social impact of our operations; especially impact relating to tenants, people and the community.

Focus Areas	Target	Status
Stakeholder Engagement	Develop and launch Tenant Engagement initiatives with monitoring and follow up actions from the Tenant Engagement Surveys	Baseline surveys have been completed for our operations in Australia, China, India and Japan. In particular, ESR Australia has provided training to tenants on utilising the online portal to convey their feedback and address indoor air quality and wellness related questions to improve green building certifications.
Safety, Health & Well-being	Zero workforce fatalities	This target was achieved in 2021.
Managing & Developing Talent	Develop and launch employee engagement initiatives with monitoring and follow up actions from the Group-wide Employee Engagement Survey	Priority areas were identified from the Group-wide Employee Engagement Survey. Employee engagement initiatives, including MyESR and Coffee and Learn sessions, were developed and launched.
Diversity & Inclusion	40% overall female participation in our workforce by 2025	In 2021, the gender ratio of women among all employees was 37.8%, up from 35.8% in 2020.
Community Investment	Launch ESR Community Engagement Programme	Work in progress.

SAFETY, HEALTH & WELL-BEING

22 assets achieved WELL Health Safety Rating in Korea

In our Korea portfolio, we are pleased to share that 22 assets have achieved the WELL Health Safety Rating certification, representing over 22 million sqft.
The WELL Health Safety Rating entails a third-party review process, including evaluation of cleaning and sanitisation procedures, emergency preparedness programs, among several others. This certification demonstrates our commitment to the health and well-being of our tenants.

Combatting COVID-19 together

As a Group, we continue to take active measures to effectively respond to the pandemic, including enforcement of consistent cleaning and implementation of safe distancing measures in our assets and offices, adoption of flexible working arrangements, provision of mental well-being webinars, and supporting individuals especially hard hit by the pandemic in our communities.

In Singapore, ESR REIT launched the COVID-19 Care Initiative in support of its F&B tenants, frontline heroes, senior citizens and low-income families in the community. F&B tenants had taken a hard hit with social restrictions, and we responded by purchasing cash vouchers to help provide a boost in sales. The vouchers were distributed to individuals affected by the pandemic with the help of Kembangan Chai Chee Community Centre.

MANAGING & DEVELOPING TALENT

ESR cares – acting on our inaugural Employee survey findings

To follow up on findings from the group-wide Engagement survey held in 2020, ESR appointed employee liaison representatives to identify priorities and recommend response actions. These employee liaison representatives then partnered with Country Heads and the Group HR team to put in place recommended actions.

Three priority areas were identified: Communications, Inclusion & Respect / Teamwork and Career Development.

Under Communications, we launched Group-wide intranet, MyESR and organised 5 Townhall sessions. MyESR helps foster timely communication of employee news internally, in addition to serving as a one stop platform for staff to access firm resources. This was a collaborative effort among teams in the firm and an important milestone for our employee engagement journey. At Townhall sessions, updates relating to ESR's latest business were communicated to our staff, including sharing of the roadmap ahead on the integration of ESR and ARA and addressing questions from staff.

Under Inclusion & Respect / Teamwork, we organised a webinar "Collaborating Across Culture" in May 2021 hearing from an external expert on culture, leadership and inclusion. This was part of the organisation-wide "Coffee and Learn" series launch. In the "Coffee and Learn" sessions that followed, our very own staff spoke on topics of their expertise to promote internal knowledge sharing, including "Our Future Warehouse – The Impact of New Technology" and "ESG: The what, the why and the path forward...".

Under Career Development, we put in place structured performance review with target setting and formal annual review with focus on development areas. Employees receive feedback from their managers on performance and areas for improvement during this annual exercise, which aims to support our employees in achieving their performance goals and continuously develop their competencies.

Our offices continue to support a culture of active learning. For example, in China, we arranged a 7-day Auto CAD certificate training program and in Australia, we obtained corporate membership to the Property Council of Australia, which provides staff access to its comprehensive learning academy and professional development events. Regional offices regularly promote training opportunities and cover employee training expenses for professional membership and examination fees, as well as participation in external training programmes and industry conferences.

One highlight under diversity and inclusion is the launch of our ESG Webinar Series: "Celebrating the Women of ESR". We heard from two speakers - Anne LeBourgeois (Hamilton Advisors) and Pat Dwyer (The Purpose Business), as well as our own colleagues, around the theme of the value and challenges of women at work.

COMMUNITY INVESTMENT

Converting a 40,000 sqm warehouse into COVID-19 field treatment centre

Together with BW[1], ESR took part in accelerating the completion of a 40,000 sqm facility in Binh Duong, Vietnam to serve as a COVID-19 treatment centre in response to the challenges posed by the pandemic. In close alliance with the People's Committee of Binh Duong, where the facility is located, we installed electricity, water, and toilet facilities to prepare the space to be operational ready as a treatment centre.

Supporting mental health for our industry – ESR Australia and Healthy Heads in Trucks & Sheds

ESR Australia began supporting a new partner in 2021, Healthy Heads in Trucks & Sheds, a non-profit foundation that champions mental health and well-being for workers in road transport, warehousing and logistics industries across Australia. Prior to this partnership, ESR Australia engaged with staff members through a survey to understand charity partnership preferences, which facilitated our choice to ultimately support Healthy Heads in Trucks & Sheds.

Please see our ESG report for more details on our work in community investment and the wider Human Centric Pillar.

Note:
1 ESR and BW's joint venture project was completed in January 2022.

ESR STANDALONE FY2021 STRATEGIC REPORT

ESG PERFORMANCE

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 capacity	We must add about 3.5MW on average each year over the next five years in order to exceed 52MW of solar power generation capacity (a 50% increase) by 2025. We were able to achieve our annual goal at the end of 2021, as the total installed roof-top solar capacity across all markets was 39.4 MW, which increased by 4.4MW.
		20% reduction in energy consumption intensity	During the past year, several assets were selected to undergo asset enhancement initiatives in consideration to improve energy intensity. In addition, the Group began the study of a decarbonisation plan which will provide the long-term path to achieve further reduction measures.
Sustainable Building Certifications	Taking our commitment to sustainability one step further by obtaining globally recognised assurance with positive social and environmental impacts.	50% of our portfolio to obtain Sustainable Building Certifications	20% of GFA completed in 2021 has been certified by recognised sustainable building standards or the certification process is currently underway. The details of all green certifications obtained in 2021 can be found in the subsequent page under Sustainable Design-Build.
Climate Change Resilience	Managing business risks and opportunities from climate change.	Alignment with Recommendations from the Taskforce on Climate-related Financial Disclosures (TCFD)	MSCI's Real Estate VaR has been utilised by ESR in identifying climate related risks and opportunities by measuring the current and future costs of climate change and the global warming impact on the asset portfolio. The asset management process will strategically be adapted to address the risks most relevant to ESR.
Flexible & Adaptable Properties	Optimising our facilities to enhance usability, accessibility, comfort and aesthetics.	Design, construction and maintenance approaches to reduce material degradation	ESR has continued to design and build properties with accessibility and adaptability in mind. Included in our assets is the Bucheon Logistics Park under our Korea portfolio that has excellent connectivity to Greater Seoul and major transport infrastructures as well as state-of-the-art design and employee amenity roof space. For our Japan assets, we have the Yokohama Sachiura Distribution Centre 1 located in Yokohama City with relaxing lounges, retail shops, sky decks and children's day care centres known as BARNKLÜBBS provided to our tenants.
Strategic Locations	Optimising trade and distribution logistics for the 21st century economy.	Building and expanding modern logistics facilities in key locations	

PROPERTY PORTFOLIO KPIS FOR 2021

97
SUSTAINABLE BUILDING CERTIFICATIONS ACHIEVED ACROSS OUR SIX MAJOR MARKETS

164 MJ
SOLAR POWER GENERATION

39.4 MW
ROOF-TOP SOLAR POWER INSTALLED CAPACITY

SUSTAINABLE DESIGN-BUILD

We obtain certification for our assets in accordance with various recognised standards including 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.

The table below details the number of assets in which we have obtained sustainability building certifications for our main markets.

	LEED	CASBEE	NABERS	WELL	Green Mark	IGBC	ABINC	BELS
China	16							
India						6[3]		
Korea	6			22[1]				
Japan	1	27[4]					3	2
Singapore	1				6[2]			
Australia			7					
TOTAL	24	27	7	22	6	6	3	2

Notes:
1 Bucheon Logistics Park (Korea) has both LEED Gold certification and WELL Gold certification.
2 As at 31 December 2021 one of these assets is undergoing re-certification for BCA.
3 As at 31 December 2021 five assets with pre-certification for IGBC Gold-status and one asset with pre-certification for IGBC Platinum-status.
4 As at 31 December 2021 thirteen assets (twelve for high sustainability rating) are undergoing re-certification for CASBEE.


Beijing Boustead Distribution Centre 1, China


ESR Nanko Distribution Centre 1, Japan

ESR STANDALONE FY2021 STRATEGIC REPORT

ESG PERFORMANCE

YOKOHAMA SACHIURA PERFECTLY EPITOMISES ESR'S COMMITMENT TO SUSTAINABLE EXCELLENCE
ESR has emphasised on four attributes being greenhouse gas emissions reduction, water conservation, sustainable materials and built to last as it strives to receive such notable recognitions. Various initiatives have been undertaken to ensure these factors are considered in the structure and design of our properties.

To highlight, we have completed our Yokohama Sachiura Distribution Centre 1 located in Kanagawa, Japan that is over 195,000 sqm GFA in January 2022. This is one of our many properties that illustrates how it addresses the focus areas in our ESG Framework and involves multiple stakeholders.

STAKEHOLDER ENGAGEMENT

19-month build project in collaboration with leading local partners:

- Shiohama Industry Corporation (Architect and Contractor)
- Takato Tamagami Architectural Design, Ltd. (Amenity Space Designer)
- Mio Watanabe Design Office, LLC. (Landscape Designer)

SUSTAINABLE & EFFICIENT OPERATIONS

Full array of sustainable elements to mitigate environmental impacts including:

- Energy-saving features
- Onsite solar power generation
- 7,000 sqm green spaces
- Forest conservation
- Bioswale system

GREEN BUILDINGS

Received the following sustainability credentials certified by leading industry bodies:

- Comprehensive Assessment System for Built Environment Efficiency (CASBEE A Rank)
- Association for business Innovation in Harmony with Nature and Community (ABINC)
- BELS 5 stars

FLEXIBLE & ADAPTABLE

Four-storey distribution centre epitomising the highest specifications for modern logistics.

- 5.5m clear height
- 2.0/1.5 ton/sqm floor loading
- Seismic base isolation structured facility
- Robust pre-cast/pre-stressed concrete beam and column made in Turkey
- Logo and decoration as local symbol on external wall

STRATEGIC LOCATION

Exceptional access to Yokohama, which has large national ports and easy access from highway

REPORTING & DISCLOSURE

Part of ESR's Redwood Japan Logistics Fund II Limited Partnership and RJLF 3 Co-Investment Platform, which both scored 5 out of 5 green stars in GRESB's 2021 Development category. They are ranked second out of 20 peers within Industrial Asia.

Yokohama Sachiura Distribution Centre 1

CLIMATE RISK ASSESSMENT

In the current year, we engaged MSCI, an investment research firm providing stock indexes, portfolio risk and performance analytics to conduct forward-looking and return-based valuation assessment that will measure climate related risks and opportunities in our portfolio. Through this assessment, the associated transitional risks relating to regulatory and technological developments and physical risks can be identified and evaluated across various scenarios at the portfolio and asset level. An appropriate comprehensive risk management framework is then formulated to address those risks accordingly.

PILLAR 3
CORPORATE PERFORMANCE

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

Focus Areas	Goals	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	US$15 million Social Investment Programme by 2030	• In early November, 2021, ESR successfully closed the fundraising of the Group's first Sustainability-Linked Loan ("SLL") of US$700 million; • In the same month, the first SLL is further upsized to US$1 billion. • Planning on becoming a signatory to the UN-PRI in the coming year.
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. • 100% employee trained with "Anti-Bribery and Corruption, Third-party Due Diligence and Supply Chain Risk Management" by ComplySci in 2021.
Disclosure & Reporting	Benchmarking our ESG performance against international best practices	3-Star average rating from GRESB— The Global ESG Benchmark for Real Assets	• ESR tops the lists of 2021 GRESB Assessment for the second consecutive year. • ESR achieved outstanding results with the Group's funds in South Korea, Japan and China in particular, topping multiple GRESB ranking lists. • For key highlights, please refer to 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 has been fully implemented. • 1 New Function added to Compliance Desktop where requestor can order an Enhanced Due Diligence report.

INCLUDED IN ESR'S CORE POLICIES ARE THE FOLLOWING:

- Code of Conduct and Business Ethics
- Anti-bribery & Anti-corruption (ABAC) and the Handling of Gifts, Travel & Entertainment
- Anti-Money Laundering (AML) & Counter-Terrorist Financing (CTF)
- Conflict of interest
- Whistleblowing
- Information Security
- Communications Guideline

CORPORATE POLICIES ENHANCED IN 2021

In 2021, we have enhanced policies for both China and Japan. In view of implementing these policies, formal approval and endorsement by the Board are expected to be completed in the next few months.

- Sustainable Procurement Policy
- Asset Management & Development Guidelines

ESR STANDALONE FY2021 STRATEGIC REPORT

ESG PERFORMANCE

Apart from ESR's comprehensive corporate governance policies, ESG governance is also our main focus where we have established an ESG Committee chaired by the Group ESG Officer to oversee related matters and implement the overall framework across the Group. In 2021, ESR China and Japan have established a Sustainable Procurement Policy to ensure compliance with international and local regulations relating to procurement and to seek better procurement process design.

COMPREHENSIVE, AUTOMATED COMPLIANCE SOLUTIONS

- 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: For employees, they can refer to the inhouse online system adopted by the Company to file the report by answering questions and uploading proof of documentation. All employees can report if any questions, concerns or observations are noticed in accordance with the Whistleblowing Policy. Any potential violation of ESR`s Group Code of Conduct can be submitted anonymously. For external third parties who have business connections with the Group, they can submit the report to the designated email address at whistleblowing@esr.com and all information received will be treated with strict confidence. They can refer the Company corporate webpage to download the "Whistleblowing Report Template" for reporting and submission purpose. All whistleblowing reports will be received and reviewed by the Group Compliance Director and the General Counsel in preparing the investigation report subsequently, if required. No workplace retaliation or ethics violation was filed on record during the reporting period.

- 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. In 2021, we have put it into practice to facilitate an automated review and approval process of third parties prior to their engagement or having a business transaction with the Group, and as of today, 5,235 third parties including vendors, contractors and other suppliers, as well as capital partners and tenants, have been screened by / via / using the platform.

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 enhanced transparency. Third-party risk includes circumstances that could expose the Group to threats and risks through engagement with third parties.

PHASE 1: INITIAL ASSESSMENT (COMPLETED IN 2019)

- 3,716 third parties screened
- 214 'hits' requiring further review
- 67 third parties underwent further assessment 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

PHASE 3: EXECUTION (JANUARY – DECEMBER 2021)

- New Function added to ComplianceDesktop® where requestor can order an Enhanced Due Diligence report
- As of the end of this reporting period, 5,235 third parties have been screened through the platform

ESR Yokohama Sachiura Distribution Centre 1, Japan

CORPORATE GOVERNANCE

MESSAGE FROM CHAIRMAN

"The year has been further punctuated by the landmark acquisition of ARA Asset Management which will cement and further transform the Group's growth trajectory going forward."

Jeffrey David Perlman,
Chairman

DEAR SHAREHOLDERS,

"The enlarged ESR team - a diverse, highly motivated and exceptionally talented group that is incredibly focused on delivering for all of our stakeholders. Our people have been fundamental in keeping ESR at the forefront of everything it does - growing the company, advancing the industry and giving back to the community."

2021 was an extraordinary year. It marked another year of outstanding performance and record achievements for ESR despite the challenges posed by COVID-19 which has continued to impact the way we live, work and manage. With the dedication of the ESR workforce, our people came together and remained focused on all aspects of the business and helped to deliver stellar performance with record AUM, development starts, leasing, capital raising and PATMI. 2021 was also a year of new frontiers for the Group including our inaugural US$1 billion Sustainability-Linked Loan ("SLL"), the build-out of our digital infrastructure team and our expansion into Southeast Asia. I could not be prouder of the way the ESR team stepped up in support of their colleagues, customers, capital partners and other key stakeholders, especially in an operating environment that is undergoing major transformation.

The year has been further punctuated by the landmark acquisition of ARA Asset Management ("ARA") which will cement and further transform the Group's growth trajectory going forward. In August 2021, we announced our plan to acquire 100% of ARA, the largest real asset manager in APAC with a captive and fast growing New Economy real estate platform via its subsidiary, LOGOS. The acquisition closed on 20 January 2022, officially bringing together the best-in-class platforms of ESR, ARA and LOGOS to form APAC's largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally. I am excited to welcome our new strategic shareholders, Non-executive Directors as well as the talented ARA and LOGOS teams to ESR, and together we will chart a new phase of sustainable growth.

Another year of record achievements

In 2021, we witnessed an acceleration in e-commerce penetration rates, continued digital transformation and structural shifts in supply chain management which continue to create strong demand from our customers and capital partners for New Economy real estate. With this backdrop, the Group's total AUM reached a record US$39.4 billion in 2021, up 32% y-o-y and our Fund Management EBITDA grew even faster at 34.8% y-o-y to US$199 million driven by greater economies of scale.

Revenue (excluding construction revenue) for the year was US$360.6 million, up 21.7% y-o-y. Total segmental EBITDA[1] increased 17.2% to US$776.8 million and total PATMI[2] grew 31.7% to hit a record US$377.3 million.

Our capital partners, many of whom have become repeat investors with ESR across different strategies and markets, committed substantial new capital to the Group during the year. We raised a record US$5.8 billion in committed capital across nine new or upsized funds and mandates, representing remarkable 64.3% y-o-y growth. We now have over US$5.7 billion in committed but uncalled capital to invest in new projects going forward.

Meanwhile, development activities remained robust, and our development workbook witnessed significant expansion in volume, scale and value. In 2021, our WIP surged 51% to a record US$7.1 billion, while development starts increased to US$3.3 billion. Our 17.7 million sqm development pipeline, including a strong land bank of 3.9 million sqm, is one of the largest in the region. Going forward, we will continue to leverage third-party capital to fund development starts and exercise a disciplined, asset-light approach to achieve our targeted development completions.

While our business is expanding rapidly, we continue to manage our balance sheet in a very prudent manner. We closed the year with US$1.6 billion in cash along with healthy gearing with net debt over total assets of 27.9%. To fuel the Group's long-term growth, we also continued to expand and diversify our funding and capital structure. Key corporate funding activities included our S$200 million (approximately US$148.6 million) NC5 fixed-rate perpetual resettable step-up subordinated securities at a distribution rate of 5.65% ("Perpetual Securities NC5 5.65%") under our US$2.0 billion Multicurrency Debt Issuance Programme; our US$400 million (with a US$100 million incremental option) unsecured term loan facility, which consists of a three-year tranche of US$267 million at Libor plus 2.75% and a five-year tranche of US$133 million at Libor plus 3.25%; and a further tranche within the Perpetual Securities NC5 5.65% amounting to S$150 million (approximately US$111.6 million), bringing the aggregate total amount to S$350 million (approximately US$260.2 million). In November 2021, we also took our first step into sustainable financing with our US$1 billion SLL, a demonstration of our ongoing commitment to ESG.

ESR's asset-light strategy has been key to its rapid expansion and the Group remains committed to this approach. In 2021, we had more than US$800 million in divestments from our balance sheet to ESR managed funds. This translated into over US$500 million of net cash which was recycled back to the Group for future growth.

Acquisition of ARA and pro forma operational highlights

The ARA acquisition marked a major milestone for ESR and for the APAC real estate industry as a whole. Given ARA's strong performance in 2021, the transaction is highly accretive for ESR shareholders and the acquisition multiple of 15.4x LTM 2021 ARA Group EBITDA[3] is also well below where other comparable M&A transactions have been completed. In fact, ESR's acquisition of ARA has been a catalyst for other sizeable acquisitions of Asian asset managers in the first half of 2022 at valuations of over 30x LTM EBITDA. We are proud that this highly accretive and strategic transaction was named "Deal of the Year: Asia" in the 2021 PERE Global Awards by our peers.

Notes:
1 Segmental EBITDA represents total segment result of Investment, Fund Management and Development.
2 PATMI excludes transaction costs related to ARA.
3 Purchase consideration based on ESR's closing price of HK$25.15 at the time of transaction closing on 20 January 2022. Based on HK$27 per share, the multiple is 16.2x. EBITDA includes fair value gains from Cromwell in FY2021.

CORPORATE GOVERNANCE

MESSAGE FROM CHAIRMAN

As an enlarged Group, pro forma total AUM[4] reached a record US$140.2 billion, up 21% y-o-y. New Economy AUM, accounting for 54% of total AUM[5], reached US$59 billion, making ESR the largest New Economy real estate platform in APAC.

Pro forma revenue (excluding construction revenue) was US$766.9 million, up 112.7% from ESR's FY2021 standalone revenue of US$360.6 million. Pro forma Segmental EBITDA increased 56.6% to US$1,216.8 million. Pro forma Fund Management EBITDA surged 195.6% to US$588.2 million and pro forma Total PATMI grew 74.6% to US$658.6 million.

Development activities for the enlarged Group were also strong. Our development workbook had a pipeline of 24.3 million sqm as well as WIP of US$10.5 billion[6], the largest in APAC. High occupancy rates (ESR: 94%; LOGOS: 95%) and record leasing (4.3 million sqm of space) led us to commence a record amount of development starts as an enlarged Group (US$5.4 billion).

The acquisition has also significantly expanded ESR Group's network of blue-chip capital partners. The enlarged ESR Group has active relationships with ten of the world's top 20 capital partners, representing more than 40% of global real estate allocations[7].

Backed by such strong relationships with capital partners, fundraising momentum was outstanding across the Group. The enlarged Group raised a record US$13.2 billion in new capital mandates. Uncalled capital for our New Economy business amounted to US$9.8 billion, placing the Group in a very strong position to fund new logistics and data centre developments going forward.

The ESR Group also has a "re-equitised" balance sheet with low net gearing (~20%), robust liquidity (US$1.9 billion in cash) and a lower average cost of funding (3.8%).

Expanded scale and opportunities

By combining ARA's emerging New Economy and diversified business with our industry-leading New Economy platform under a unified ESR brand, we are uniquely positioned to capitalise on tremendous opportunities in APAC driven by key secular trends such as the continued rise of e-commerce, digital transformation and the emerging growth of the REIT sector.

According to JLL, ESR's total addressable market is set to potentially triple to US$2.5 trillion across the region's most promising growth sectors of logistics, data centres and public REITS. The logistics sector, supported by the continued rise of e-commerce and supply chain localisation (including higher levels of local inventory), is projected to grow by up to 3.4 times by 2030 to reach US$1 trillion, while data centres will increase by up to 3.9 times to reach US$150 billion.

By offering a full suite of both public and private investment solutions to leading global investors, ESR has created the only fully integrated, closed-loop-solutions ecosystem for real estate in the world. Leveraging the REITs and private funds from ARA on the commercial side, our platform allows global capital partners to divest Grade A commercial real estate assets and redeploy the capital back into New Economy real estate via ESR and LOGOS.

Moreover, global investors are increasingly consolidating their relationships towards a smaller number of large-scale managers with diversified capabilities and strong track records. Against this backdrop, ESR – leveraging the expanded scale and offerings of its enlarged platform to deliver unique "one-of-a-kind" integrated solutions – is in a prime position to capitalise on this outsized growth.

Digital infrastructure for the New Economy

In an era of rapid digitisation, data centres are playing increasingly critical roles in the New Economy and investment interest in this new asset class is rising fast. By leveraging our core competitive advantage of best-in-class land sourcing, design and construction, ESR is well positioned to deliver critical digital infrastructure for operators and hyperscalers. Over the past 18-24 months, we have focused on ramping up our data centre team and portfolio as well as our pipeline across the region.

Now that we have brought together LOGOS to form APAC's largest New Economy real estate platform, we will leverage our combined data centre pipeline of over 1,200MW of capacity across the region to accelerate the rollout of our data centre strategy with more expansive offerings and capitalise on the market's enormous growth. We look forward to raising our inaugural data centre funds in 2022.

Sustainability is an important consideration for data centre investors and operators. With ESG at the heart of everything we do, we continue to integrate sustainability elements and responsible low-carbon innovation into our assets, including our data centres, to ensure that they operate at maximum energy efficiency with as minimal an environmental impact as possible.

Growth of an industry-leading REIT platform

The REIT sector is set to take off across APAC, where JLL projects it will grow up to 3.2 times over the remainder of the decade to reach US$1.3 trillion. As the largest sponsor and manager of REITs in APAC, we believe there are ample opportunities for us to create new REITs across our markets in APAC as well as enhance and grow our existing REITs.

In fact, we look forward to completing the proposed merger of ESR-REIT and ARA LOGOS Logistics Trust ("ALOG"), one of the initial value-enhancing steps post the ARA acquisition. We're very pleased that the unitholders of ESR-REIT and ALOG have approved the

Notes:
4 Includes the AUM of associates (Cromwell and Kenedix) as of 31 December 2021.
5 AUM excluding associates.
6 Based on assets on balance sheet and portfolio assets held in the funds and investment vehicles as of 31 December 2021. The total development cost of Moorebank is estimated to be ~US$2 billion. For conservatism, only the first phase (US$1.1 billion) is included in the development starts and WIP.
7 Global real estate allocation by Top 20 LPs since 2011 (JLL Independent Market Research, Preqin).

merger, which will create a flagship New Economy S-REIT, ESR-LOGOS REIT ("E-LOG"), one of the 10 largest by free-float market capitalisation. The enhanced size and scale of E-LOG will create a highly attractive platform for customers and investors while reinforcing new strengths and opportunities.

ESR Amagasaki Distribution Centre, Japan

Our people and culture

I believe that any successful business starts and ends with its people. In that regard, I could not be more pleased with the enlarged ESR team – a diverse, highly motivated and exceptionally talented group that is incredibly focused on delivering for all of our stakeholders. Our people have been fundamental in keeping ESR at the forefront of everything it does – growing the company, advancing the industry and giving back to the community.

We are proud to welcome the ARA and LOGOS teams to our Group. Recently, we held our inaugural townhall for the expanded ESR Group and I was delighted to see the wealth of experience and deep rooted commitment of the teams. More importantly, our people share the same set of values - embracing entrepreneurship, promoting inclusion and diversity, creating sustainable value for stakeholders, and fulfilling a deep-rooted commitment to ESG.

Going forward, our core values – excellence, inclusion, entrepreneurship and sustainability – will guide our actions and decisions as we strive towards achieving even greater things for the enlarged ESR Group. These values will define the way we do business and treat our colleagues, customers and stakeholders. This is because at ESR, our ambitions extend well beyond the pursuit of financial success. It is our purpose to create *Space and Investment Solutions for a Sustainable Future.*

Unwavering commitment to ESG

ESR's vision for sustainable development is to enhance shareholder value while contributing positively to society and the environment. As set out in our ESG 2025 Roadmap, we are committed to ensuring that robust ESG principles are integrated into every aspect of our business, operations and planning. In 2021, we took great strides towards strengthening such efforts including ramping up the installation of our solar panels across the portfolio as well as successfully completing our inaugural US$1 billion SLL, marking our first step into sustainable financing.

As ESR Group continues to scale, the number of stakeholders and communities it impacts will also grow. Therefore, we must strive to create more positive value than ever. ARA and LOGOS' pioneering efforts in sustainability will also help us further strengthen our ESG leadership and offerings. Moving forward, we will accelerate our efforts and investments in building a more sustainable future and supporting the communities around us.

Acknowledgements and appreciation

After a record year, we enter our next phase of growth in an enviable position. I would like to extend my sincere gratitude to our Board of Directors for their invaluable support. I am also delighted to welcome Mr John Lim Hwee Chiang, Dr Justin Chiu Kwok Hung and Mr Rajeev Kannan, to the Board as Non-executive Directors. As ESR seeks to further its commitment to diversity, the nomination committee is planning to bring two additional female independent non-executive directors to the Board this year as a part of the annual rotation of directors to reflect the same level of inclusion that permeates the broader organisation. It is important that we always look in the mirror and see where we can do better. Bringing greater diversity of thought, experience and background is critical and this will only enhance the Group more going forward.

ESR's consistently strong performance has been made possible by the excellence of our management team, led by Stuart and Jeffrey, and all our talented and dedicated employees. Thank you all for your determined efforts to help our company achieve greater and greater heights. Most importantly, I would also like to thank our capital partners, customers and shareholders for their continuous trust and support.

Jeffrey David Perlman
Chairman

24 March 2022

CORPORATE GOVERNANCE

MESSAGE FROM CEOs

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

"By focusing on opportunity, and thanks to the relentless commitment of our people, we have consistently been able to innovate and improve, find new inspirations, and accelerate our efforts to drive continuous growth and set our sights even higher."

ESR delivered outstanding results while showing great strength and resilience in 2021, a year that was marked by ongoing challenges from COVID-19 on the one hand and rapid, complex transformation on the other. These are deeply trying times for many, but such challenges and dynamics did not waver our resolve – quite the contrary. By focusing on opportunity, and thanks to the relentless commitment of our people, we have consistently been able to innovate and improve, find new inspirations, and accelerate our efforts to drive continuous growth and set our sights even higher.

2021 also marked the 15th anniversary of Redwood and the 10th anniversary of E-Shang, the predecessors of ESR. We have grown and evolved so much since then, but we always strive to maintain the same entrepreneurial spirit and passions for excellence and innovation. These qualities are and will continue to be the reasons for our success.

As we turn the page on 2021, we are very pleased with our stellar performance and record achievements. We are even more excited to enter 2022 as a stronger, more dynamic platform - a result of the successful landmark acquisition of ARA Asset Management, including its subsidiary LOGOS.

Building on what the teams of ESR, ARA and LOGOS have accomplished over the years, we have created APAC's leading real asset manager and New Economy real estate platform, and a more powerful, purpose-led organisation that will continue to advance and lead the industry for years to come.

Record capital raising as APAC real estate takes centre stage

APAC real estate has taken centre stage, particularly New Economy assets (i.e. logistics and data centres). Powered by the rise of e-commerce, this trend is expected to continue given Asia's large population, strong domestic consumption and high level of digitalisation. Leading global investors are seeking to rebalance their portfolios towards New Economy real estate, assets that have been meaningfully underweight.

Against this backdrop, our Fund Management segment delivered another outstanding performance in 2021. Our fund AUM rose 31% y-o-y to US$35.6 billion. Total AUM hit a record high of US$39.4 billion, up 32% y-o-y.

We raised a record US$5.8 billion in committed capital across nine new or upsized funds and mandates. One of the highlights was ESR Milestone Partnership ("EMP"), an A$1.3 billion (approximately US$1.0 billion) investment partnership with long-time capital partner GIC for the A$3.8 billion (approximately US$2.9 billion) Milestone Portfolio acquisition in Australia. This was the country's largest-ever logistics property transaction, and it also made ESR the third largest logistics and industrial owner in Australia, just three years after entering the market.

Our record fundraising performance demonstrates the trust that existing and new investors alike have in ESR's ability and track record, as well as their growing appetite for APAC logistics real estate.

As global investors increasingly seek to consolidate their relationships towards a smaller number of large-scale managers with the goal of allocating more capital to them, we will leverage the enlarged ESR Group's unmatched scale, the breadth of its portfolio and offerings, and, most importantly, its expanded team of experienced and dedicated people to help our capital partners and customers thrive and capitalise on the continued rise of real assets in APAC.

Since 2021, ESR is a constituent of the FTSE Global Equity Index Series (Large Cap), Hang Seng Composite Index and MSCI Hong Kong Index, and it has been included in both Shanghai - Hong Kong Stock Connect and Shenzhen - Hong Kong Stock Connect.

Setting new benchmarks with best-in-class developments

The growth of e-commerce and the resilience of the supply chain have driven customer demand, especially for sophisticated, large-scale distribution centres that enable high operational efficiency and incorporate sustainability features. This is what ESR is renowned for: building best-in-class logistics facilities and data centres across major regional hubs and metropolitan areas. We have been leveraging this trend by focusing our efforts on developments that are larger in terms of both scale and value, which resulted in significant expansion in this area in 2021. Major projects included the 340,000 sqm ESR Shanghai Qingpu Yurun Phase I, a high-standard logistics facility with cold storage space; and the 195,998 sqm ESR Yokohama Sachiura Distribution Centre 1, which forms part of the largest multi-phase logistics park in Japan at approximately 800,000 sqm over four phases.

Leasing activities and rental performance were also strong. We achieved an improved occupancy rate of 94%[1] across the portfolio and record leasing of over 3.3 million sqm of space. 82% of the new leases were led by e-commerce and 3PL customers. Among ESR's top 10 tenants by income[1], nine are e-commerce or 3PL-related.

In addition to our core markets of China, Japan, South Korea, Australia and India, where ESR has established a clear leadership position, we see huge potential in Southeast Asia due to favourable demographics, rising income and consumption levels, and booming but unmet demand for modern logistics stocks. In May 2021, ESR entered the Vietnamese market with the launch of a 240,000 sqm development in Binh Duong, a major industrial hub in the south, in partnership with BW Industrial, the country's leading local logistics and industrial developer and operator.

Land scarcity remains a major challenge in many key markets. Therefore, authorities and industry players are both seeking solutions to fulfil the growing demand for logistics space. Very often, such efforts go beyond just building facilities; local community engagement, heritage preservation and environmental stewardship are also instrumental.

ESR has an unrivalled track record in planning and executing such projects. For example, we recently announced the development of the ESR Kawanishi Distribution Centre, one of Japan's largest and most significant urban rezoning projects in recent years that strategically repurposes a prime site for logistics and industrial use. We are proud to be able to make the best use of our experiences and expertise to deliver more than just prime facilities for our customers, the logistics market and the local communities in which we operate.

Note:
1 Based on investment properties on balance sheet and portfolio investment properties held in the funds and investment vehicles as of 31 December 2021.

CORPORATE GOVERNANCE

MESSAGE FROM CEOs

Building a sustainable future

Sustainability is a major factor shaping the future of real estate. At ESR, not only do we create and operate world-class facilities for our customers and the industry, but we also strive to make meaningful economic, environmental and social contributions to local communities.

Our market-leading ESG credentials include a solid track record of building and operating sustainable properties and adhering to best corporate practices, all in accordance with our ESG 2025 Roadmap. In November 2021, we closed our inaugural US$1 billion Sustainability-Linked Loan, marking our first step into sustainable financing. We also continued to achieve outstanding GRESB scores across funds and markets and attained an MSCI ESG rating of A.

ESR is committed to sustainable and efficient operations and the Group continually seeks to improve the performance of its modern logistics facilities by reducing their environmental impact. We have made energy sustainability a priority by actively developing rooftop panels to further increase solar power generation in all markets. We are delighted that the project is on track to exceed its target of boosting solar power generation capacity by 50% by 2025.

We engage and work closely with local authorities and organisations to build stronger communities together through a range of campaigns and initiatives. These included supporting education in rural China; sponsoring a local amateur football league in Japan to promote community engagement; and providing supplies, resources and facilities to assist COVID-19 and natural disaster relief efforts.

With the acquisition of ARA and its subsidiary LOGOS - both pioneers in sustainability, we have further strengthened our ESG leadership and offerings. We will continue to support the sustainable development of APAC real estate and deepen our commitment to ESG while exploring more sustainable ways to finance and operate our business in order to create long-term value for stakeholders.

Forging ahead with our people

The growth of e-commerce, accelerated digitalisation and the financialisation of real estate are important secular trends. However, like most others, we continue to face challenges brought about by the pandemic, climate change and macroeconomic conditions. Under such circumstances, we need new visions and mindsets to lead, manage and drive further growth.

First and foremost, ESR continues to prioritise the safety and well-being of its people. We always remain empathetic towards their needs while continuing to provide opportunities for


ESR Guangdong Jieyang, China

them to grow their skills and careers. As we boost our investments in people and technology, the adoption of technology and flexible working arrangements can ensure our teams get the right support, stay connected and collaborate seamlessly even when they are physically apart.

Now that we are together as one ESR family with the additions of ARA and LOGOS, our focus is on ensuring that everyone enjoys a safe, healthy and inclusive environment where we can achieve our shared purpose and define the future of real estate together.

Next phase of growth as APAC's largest real asset manager

Accelerating growth is about creating long-term value for our capital partners, customers, people, shareholders and communities.

The transformational integration with ARA boosts ESR's long-term game not only in size and scale, but also as it pertains to our overall capabilities, scope and market presence. Moving ahead, we will be immensely focused on harnessing all the synergies and opportunities this enlarged Group offers.

When ESR completed its IPO in 2019, we emphasised that it was not "the" event, but "an" event marking the beginning of an even more exciting growth journey ahead. Since then, we have delivered on our promise to keep improving, innovating and accomplishing new things. Today, we are APAC's largest real asset manager and the world's third largest listed real estate investment manager, and we are confident that we are only starting another chapter in our growth story.

We would like to take this opportunity to thank our Board of Directors for its strategic vision and guidance, and our local management teams for their relentless pursuit of excellence and helping make this remarkable year possible. We would also like to express our gratitude to our customers, shareholders, capital partners, banking partners and fixed income investors for their invaluable support.

Together with ARA and LOGOS, we are entering an exciting new phase of growth for ESR. A bright future lies ahead of us, and we are more dedicated than ever to improving, innovating and leading in our quest to deliver sustainable, long-term value for our shareholders and stakeholders.

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

24 March 2022

"We are even more excited to enter 2022 as a stronger, more dynamic platform - a result of the successful landmark acquisition of ARA Asset Management, including its subsidiary LOGOS."

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

MR JEFFREY DAVID PERLMAN

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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. He is also the member of the Remuneration Committee.

Mr Perlman is a Managing Director, Head of Asia Pacific Real Estate and Southeast Asia 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 also serves on the Board of Directors for 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

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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. (全球物流资产公司(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

58

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

52

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 was the President of the Group from January 2016 to December 2020. He was appointed as a Director of the Company on 20 January 2016, was responsible for overseeing the Company's overall private equity capital raising and operations and business development. He was re-designated as an executive Director on 22 February 2019. With effect from 1 January 2021, he was re-designated from the Group's President and an executive Director to a non-executive Director, and Chairman Emeritus of the Company's Capital Committee.

Mr Portes has over 25 years of real estate investment experience, including more than 20 years in the logistics and new economy sectors 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.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

MR WEI HU
39
Non-executive Director

Date of first appointment as Director:
2 February 2021

Mr Wei Hu was appointed as a non-executive Director on 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 DAVID ALASDAIR WILLIAM MATHESON
42
Non-executive Director

Date of first appointment as Director:
30 March 2021

Mr David Alasdair William Matheson was appointed as a non-executive Director on 30 March 2021.

Mr Matheson has over 17 years of experience in real estate investments. Mr Matheson is a member of the investment committee, a managing director and head of Real Estate, Europe, at Starwood Capital Group and he is responsible for the firm's real estate investments and real estate asset management across Europe. Prior to this, Mr Matheson was a member of Oxford Properties' executive leadership team, executive committee and investment committee, and was responsible for all aspects of Oxford Properties' business across Asia-Pacific. He initially joined Oxford Properties in 2013 to lead the European investment team, a remit that later grew to include Asia-Pacific. Under his investment leadership, Oxford Properties grew the London platform, entered Paris, Berlin, Singapore and Sydney, and diversified into new sectors in Europe and Asia-Pacific including luxury high street retail, built-to-rent residential and logistics. Prior to joining Oxford Properties, Mr Matheson spent over a decade in investment banking, most recently at Goldman Sachs as an executive director in real estate investment banking.

Mr Matheson graduated from Oxford University with a Bachelor of Arts in Modern Languages (Honours).

MR HWEE CHIANG LIM

65

Non-executive Director

Date of first appointment as Director:
20 January 2022

DR KWOK HUNG JUSTIN CHIU

71

Non-executive Director

Date of first appointment as Director:
20 January 2022

Mr Hwee Chiang Lim was appointed as a non-executive Director and our senior advisor on 20 January 2022.

Mr Lim is the Chairman of JL Family Office. He serves as a non-executive Director of ARA Trust Management (Suntec) Limited (the manager of Suntec REIT which is listed in Singapore), and ARA Asset Management (Fortune) Limited, ARA Asset Management (Prosperity) Limited and Hui Xian Asset Management Limited (the managers of Fortune REIT, Prosperity REIT and Hui Xian REIT which are listed in Hong Kong).

Mr Lim is Chairman of the Asia Pacific Real Assets Association (APREA) and the Consultative Committee to the Department of Real Estate, National University of Singapore. He is also a Patron of the Securities Investors Association of Singapore (SIAS) and a Council Member of Singapore Chinese Chamber of Commerce and Industry.

Mr Lim co-founded ARA Asset Management in 2002 and was its Group CEO for 18 years and Deputy Chairman from February 2021 to January 2022.

Mr Lim has over 40 years of experience in the real estate industry and has received many notable corporate awards. These include the PERE Global Awards 2020 and 2016 Industry Figure of the Year: Asia, Ernst & Young Entrepreneur Of the Year Singapore 2012 and the Outstanding CEO of the Year 2011 at the Singapore Business Awards 2012. Mr Lim, along with the Board of Directors of ARA, was a recipient of the prestigious Best Managed Board (Gold) Award at the Singapore Corporate Awards 2012. In 2017, he was conferred the Public Service Medal (PBM) by the President of Singapore in recognition of his contributions to the community.

Mr Lim holds a Bachelor of Engineering (First Class Honours) in Mechanical Engineering, a Master of Science in Industrial Engineering, as well as a Diploma in Business Administration, each from the National University of Singapore.

Dr Kwok Hung Justin Chiu was appointed as a non-executive Director on 20 January 2022.

Dr Chiu is the Founding Chairman and Director of ARA Asset Management Limited, the Chairman and a Non-executive Director of ARA Asset Management (Prosperity) Limited as the manager of Prosperity REIT (listed in Hong Kong), a Non-executive Director of ARA Asset Management (Fortune) Limited as the manager of Fortune REIT (currently listed in Hong Kong and previously also listed in Singapore prior to 21 October 2019). Dr Chiu joined the CK Group in 1997 and is an Executive Director and an Executive Committee Member of CK Asset Holdings Limited (listed in Hong Kong), heading the real estate sales, marketing and property management teams.

Dr Chiu has more than 40 years of international experience in real estate in Hong Kong and overseas, and is one of the most respected professionals in the property industry in Asia. He is a Fellow of The Royal Institution of Chartered Surveyors, a Council Member and a Fellow of The Hong Kong Institute of Directors, a Fellow of Hong Kong Institute of Real Estate Administrators, a Vice Chairman of the Board of Governors of Hong Kong Baptist University Foundation, an Honorary Associate Member of Business of Trent University, Canada, a member of the Singapore Management University International Advisory Council in China, a member of the School of Business Advisory Committee and an Adjunct Professor of the School of Business of Hong Kong Baptist University and a Senior Departmental Fellow of the Department of Land Economy at University of Cambridge, the United Kingdom. He was a member of the Standing Committee of the 12th Shanghai Committee of the Chinese People's Political Consultative Conference of the People's Republic of China.

Dr Chiu holds a Doctor of Business Administration degree from Hong Kong Baptist University, and was conferred with the degree of Doctor of Social Sciences, honoris causa by Hong Kong Baptist University and the degree of Doctor of Laws, honoris causa by Trent University, Canada.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

MR RAJEEV VEERAVALLI KANNAN

50

Non-executive Director

Date of first appointment as Director:
20 January 2022

MR BRETT HAROLD KRAUSE

53

Independent Non-executive Director

Date of first appointment as Director:
20 May 2019

Mr Rajeev Veeravalli Kannan was appointed as a non-executive Director on 20 January 2022.

Mr Kannan has been the Managing Executive Officer of Sumitomo Mitsui Banking Corporation ("SMBC") since April 2020. Mr Kannan was appointed as Co-Head of Asia Pacific Division of Sumitomo Mitsui Banking Corporation (SMBC) as well as in Sumitomo Mitsui Financial Group (SMFG) on 1 April 2022.

Mr Kannan's banking career spans over 27 years having held various leadership roles in Asia with global, regional and product responsibilities. Mr Kannan has a deep experience in corporate and investment banking, structured finance, principal investments and infrastructure and energy finance and is passionate about building businesses and diverse teams to drive innovation, adaptability and sustainable growth.

Prior to his current role, Mr Kannan was Head of Corporate Banking, Asia Pacific between 2020 and 2022 and was Executive Officer and Head of Investment Banking, Asia Pacific between 2016 and 2020. Under Mr Kannan's leadership of corporate banking and investment banking, SMBC enhanced its platform in the region, grew its client base, built SMBC into the top player in infrastructure finance and built a strong ESG Solutions Team made significant progress on sustainability and green finance. Mr Kannan was also based in Tokyo between 2012 and 2016 with responsibility for Global Structured Finance. Mr Kannan was the first non-Japanese Executive Officer/ General Manager to be based in SMBC's head office.

Mr Kannan is also a member of Board of Director of Clifford Capital Group of companies, Pierfront Capital Pte Ltd and Fullerton India Credit Company Limited. Mr Kannan is passionate about sustainability and green finance and is a thought leader in this space. Mr Kannan is a member of the Advisory Board for Singapore Green Finance Centre as well as ASEAN Hub Steering Group Member for Sustainable Development Investment Partnership, a joint initiative of OECD and World Economic Forum.

Mr Kannan started his career at ICICI Bank in Mumbai in 1994 after graduating from Birla Institute of Technology & Science (BITS), Pilani in India with a master's degree in management. Mr Kannan Rajeev was conferred the Institute of Banking and Finance (IBF) Distinguished Fellow Award in 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. Mr Krause joined FunPlus in March 2018 where he currently serves as Chief Investment Officer. Founded in 2010, FunPlus is a world-class, independent game developer and publisher headquartered in Switzerland and with operations in China, Japan, Singapore, Spain, Sweden, and the United States. 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

62

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.

In January 2022, Sir Hugo was appointed as a non-executive director of CBC Insurance Ltd. 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

59

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.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

MS JINGSHENG LIU

70

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 was the advisory director at CICC until December 2021. Prior to this, she held various roles within the CICC group until December 2021, 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

52

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.

MS SERENE SIEW NOI NAH

42

Independent Non-executive Director

Date of first appointment as Director:
19 April 2022

Ms Serene Siew Noi Nah is an independent non-executive Director and also a member of the Audit Committee and Nomination Committee. She was appointed as an independent non-executive Director on 19 April 2022.

Ms Nah has been an Executive Director since October 2021 and the Chief Financial Officer since September 2020 of Kerry Properties Limited (stock code: 683). She was the Chief Strategy Officer of Kerry Properties Limited from October 2019 to August 2020. Prior to joining Kerry Properties Limited, Ms Nah was the Head of Portfolio Management, Asia of SilverLake Partners, where she worked closely with portfolio company executives on value creation and Asian expansion initiatives. Prior to SilverLake Partners, she has spent ten years at General Electric in finance, M&A and various transformation teams. In her last role as the Chief Financial Officer of GE Capital Greater China, she spearheaded the build out of GE's commercial and consumer finance businesses in mainland China, Hong Kong and Taiwan.

Ms Nah graduated from The Nanyang Technological University, Singapore with a Bachelor degree in Business Studies, and also holds an Executive Master of Business Administration from Kellogg-HKUST Executive Master of Business Administration Program.

CORPORATE GOVERNANCE

GROUP LEADERSHIP TEAM & BUSINESS LEADERSHIP TEAM

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 44.

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 45.

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 also held various treasury roles with Dow Chemical in the USA and Asia Pacific, including Finance Risk Manager (Asia Pacific) and Corporate Finance Manager.

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.

MS LILIAN LEE

Group Chief Corporate Officer

Ms Lee is the Group Chief Corporate Officer of ESR since June 2020 overseeing the Group's administration, human resources, corporate communications and IT functions. She has 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, based in Shanghai, China, while serving concurrently 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 JOSH DAITCH

Group Head, Capital & New Economy Fund Management

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 helped start the 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 CHANG RUI HUA

Group Head of Capital Markets & Investor Relations

Ms Chang heads the Group Capital Markets and Investor Relations for ESR. She focuses on driving capital and public market activities including strategic merger and acquisition investments at ESR Group level; leads the Group's investor relations function and provides insights on market developments.

Before joining ESR, Ms Chang was with the CapitaLand Group for six years, with roles covering heading fund raising, corporate finance and corporate planning in China, investor relations and capital markets compliance in Singapore. Prior to that, she was an investment banker with China International Capital Corporation and DBS Bank from 2006 to 2013.

Ms Chang holds a Masters' in International Public Policy (Merit) from University College London, Department of Politics and a BSc in Social Science, Economics (2nd Upper Class Honors) from the National University of Singapore. She has completed the Advanced Management Programme at Booth School of Business, University of Chicago. She is also a holder of the International Certificate of Investor Relations (ICIR) and Chartered Manager Fellow.

DR MICHAEL DE JONG-DOUGLAS

Group Head, Customer Solutions & Partnerships, Logistics

Dr Michael de Jong-Douglas has been with ESR since 2014 and is now Group Head, Customer Solutions & Partnerships, Logistics, as well as responsible for the Future Solutions Group (new technologies). With nearly 25 years of experience exclusively in logistics real estate, Dr. de Jong-Douglas has previously held leadership roles in Asia as Deputy CEO for Mapletree Logistics REIT, and in Europe as Regional Head Central Europe, Head of Property Management and Head of Due Diligence Continental Europe for Prologis.

Dr de Jong-Douglas has a PhD in Urban Planning & Applied Geography from Utrecht University and attended the Executive Development Program at Northwestern University; he also has an MBA, an MS in Geography and a BS in Public Administration & Planning. Dr. de Jong-Douglas is a member of RICS, the ULI Asia Pacific Technology and Innovation Council and ULI Industrial and Logistics Council, and the ANREV Sustainability Committee.

MR MARK HWANG

Group Head of Legal

Mr Mark Hwang was appointed as Group Head of Legal in 2022. Mr Hwang has been General Counsel of ARA Asset Management Limited ("ARA"), and is responsible for all legal matters. Prior to joining ARA, Mr Hwang was Director of Legal and Business Development for a private investment company where he supervised and managed the legal affairs for a wide range of listed and unlisted businesses across Asia Pacific, including real estate, financial services, hospitality, resources and commodities, chemicals, retail, FMCG, automotive parts and tires.

Prior to that, Mr Hwang was an Executive Director in the real estate investment banking business of Morgan Stanley, where he built the bank's first dedicated real estate coverage team for Southeast Asia. Prior to Morgan Stanley, Mr Hwang practiced as a capital markets and corporate lawyer with Allen & Gledhill in Singapore and Paul Hastings in Hong Kong. In those roles, he helped to establish the REIT industry in both markets and was deeply involved in the majority of the first initial public offerings and follow on fund raisings by REITs in Singapore and Hong Kong. Mr Hwang holds a Bachelor of Law from the National University of Singapore and a Master of Laws from University College London, UK.

MS ZOE SHOU

Group General Counsel

Ms 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 regulatory 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 TANG BOON KANG

Group Head, Governance & Sustainability

Mr Tang Boon Kang was appointed as Group Head, Governance & Sustainability in 2022. Mr Tang has been Senior Director of Group Governance & Sustainability of ARA Asset Management Limited ("ARA"), responsible for leading ARA's risk management, internal audit, compliance and sustainability functions. He oversees ARA's sustainability initiatives and reporting of environmental, social and governance matters.

Mr Tang has over 20 years of auditing, compliance, risk management and corporate governance experience. Prior to joining ARA, Mr Tang was the Audit Manager of PricewaterhouseCoopers (PwC) Assurance Practice, Singapore from 2001 to 2009.

Mr Tang holds a Bachelor of Accountancy (First Class Honours) from Nanyang Technological University, Singapore and is on the Dean's List of Nanyang Business School. He is also a certified Enterprise Risk Manager with a Professional Diploma (Distinction) in Enterprise Risk Planning and Management from National University of Singapore. In addition, Mr Tang is a Chartered Accountant with the Institute of Chartered Accountants in England and Wales, a Chartered Accountant with the Institute of Singapore Chartered Accountants and a Certified Internal Auditor with the Institute of Internal Auditors Singapore. He is also a member of the Singapore Institute of Directors and Asia Risk Management Institute.

Business leadership Team

PHILIP PEARCE
CEO, ESR Australia Platform

ABHIJIT MALKANI
CEO, ESR India Platform

THOMAS NAM
CEO, ESR Korea Platform

MOSES K. SONG
CEO, ARA Asset Management Limited

MARK EBBINGHAUS
CEO, ARA Europe

TRENT ILIFFE
Managing Director and Co-CEO, LOGOS

ADRIAN CHUI
CEO, ESR-REIT

CHONG KEE HIONG
CEO, Suntec REIT

JUSTINA CHIU
CEO, Fortune REIT

ZHOU BO
Chief Operating Officer,
ESR China Platform

HIDEAKI MATSUNAMI
Managing Director,
ESR Japan Platform

JIHUN KANG
Chief Investment Officer,
ESR Korea Platform

DAVID BLIGHT
CEO, ARA Australia

ANTHONY KANG
CEO, ARA Korea

JOHN MARSH
Managing Director and Co-CEO, LOGOS

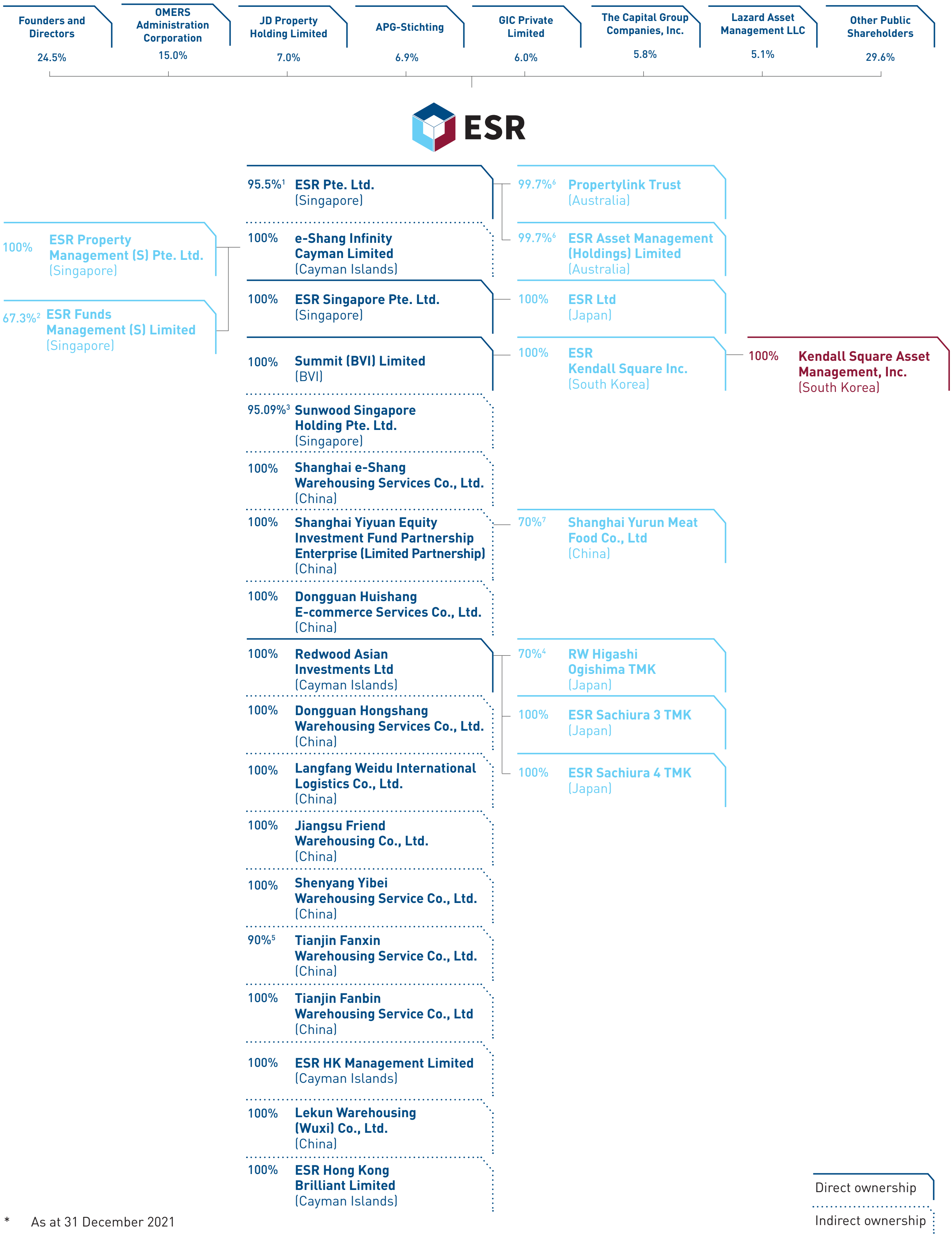
SANGHWOI BAE
CEO, ESR Kendall Square REIT

LEE JIN YONG
CEO, ARA US Hospitality Trust

MAVIS WONG
CEO, Prosperity REIT

CORPORATE GOVERNANCE

CORPORATE STRUCTURE



* As at 31 December 2021

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 50.10% 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 49.90% 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 Propertylink Trust and ESR Asset Management (Holdings) Limited are held thorugh ESR Australia Holding Company Pte. Ltd. of which the Group holds 99.732% interest through ESR Pte. Ltd.. The remaining 0.268% equity interest in Propertylink Trust and ESR Asset Management (Holdings) Limited are held by Skunsh Pty Ltd, as trustee for the McKenna Investment Trust.

7 The remaining 30% 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.

CORPORATE GOVERNANCE

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.

During the year, ESR's senior management and IR team actively engaged with shareholders and the investment community throughout Asia Pacific, Europe and United States. During the year, ESR's management and IR team have participated in 15 virtual conferences and connected with over 650 investors through conferences, non-deal roadshows and one-on-one investor updates.

ESR's annual general meeting ("AGM") was held virtually and limited to a smaller capacity in its physical meeting in Hong Kong in June 2021. Attended by all the ESR's Board of Directors and senior management, the AGM provided virtual interaction with shareholders.

In August 2021, ESR announced its proposed acquisition of ARA Asset Management. ESR's management and IR team worked with various brokerages in its investor outreach and education, upon the announcement of the acquisition, and following the announcement of the Circular. An extraordinary general meeting ("EGM") was held in November 2021 whereby shareholders voted more than 90% approval on the acquisition.

AWARDS AND RECOGNITIONS

During the year, in recognition of our outstanding efforts in embracing the challenges of the past year with perspicacity and resourcefulness, ESR was accorded the "IR Magazine's choice award for innovation in IR" in the prestigious IR Magazine Greater China Awards 2021. The IR team also received the "Best Hong Kong Stock Connect Company" award at the "6th Golden Hong Kong Stock Awards" (第六屆金港股), organised by Zhitong Caijing (智通財經) and Tonghuashun (同花順財經).

INCLUSION IN KEY INDICES

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 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 2021, we grew the number of sell-side research coverage to 14 houses, mainly from:

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

FINANCIAL CALENDAR

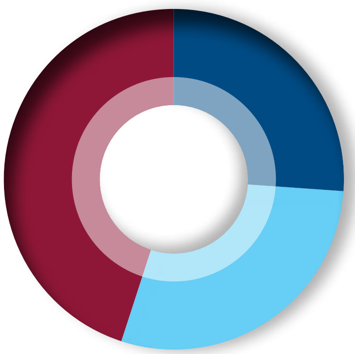
Results announcement for the financial year ended 31 December 2021	24 March 2022
Annual General Meeting	1 June 2022
Interim results announcement for the half-year ending 30 June 2022	August 2022

FY2021 INVESTOR RELATIONS CALENDAR

1H 2021	DBS Pulse of Asia Conference	5 January
	Goldman Sachs Asia Financials & Fintech Corporate Day 2021	6 January
	BNP Paribas Asia Property Forum Online Series	15 January
	FY2020 Post-Results Non-deal Roadshow	26-30 March
	UOB KayHian Non-deal Roadshow	24 May
	Credit Suisse Hong Kong/China Property Corporate Day	22-23 June
	Citi Asia Pacific Property Conference 2021	25 June
	China International Capital Corporation (CICC) Non-deal Roadshow	25 June
	DBS Vickers China Logistics Non-deal Roadshow	28 June
	Morgan Stanley Virtual Flagship ASEAN Conference 2021	29 June
2H 2021	UBS China/Hong Kong Property Virtual Conference 2021	6 July
	ARA Acquisition Non-deal Roadshow	5-17 August
	FY2020 Post-Results Non-deal Roadshow	20-24 August
	Daiwa Pan-Asia REIT Conference 2021	1 September
	28th Annual CITIC CLSA Flagship Investors' Forum	16 September
	BofA Securities 2021 Global Real Estate Conference	23 September
	UOB KayHian Non-deal Roadshow	28 September
	Macquarie Market Briefing	5 October
	ARA Acquisition Post Circular Non-deal Roadshow	19-21 October
	CLSA Non-deal Roadshow	28 October
	Citi China Investor Conference	2 November
	Goldman Sachs China Conference	4 November
	Morgan Stanley Annual Asia Pacific Summit	17 November
	Macquarie Christmas Shortage	30 November

SHAREHOLDING BASE BY INVESTOR TYPE

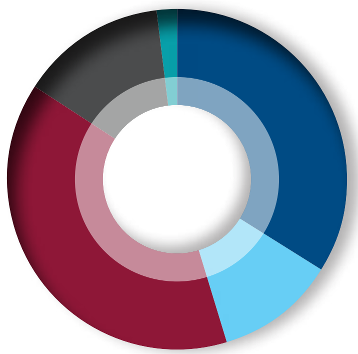
As at 31 December 2021



FOUNDERS / SENIOR MANAGEMENT / RETAIL INDIVIDUALS	**26.2%**
STRATEGIC SHAREHOLDERS	**28.9%**
INSTITUTIONAL INVESTORS	**44.9%**

SHAREHOLDING BASE BY GEOGRAPHICAL DISTRIBUTION

As at 31 December 2021



HONG KONG / CHINA	**34.0%**
OTHER ASIA	**11.5%**
NORTH AMERICA	**38.8%**
UNITED KINGDOM & EUROPE	**13.7%**
REST OF WORLD & UNIDENTIFIED HOLDINGS	**1.9%**

CORPORATE GOVERNANCE

INVESTOR RELATIONS & CORPORATE COMMUNICATIONS

SHAREHOLDING AS AT 31 DECEMBER 2021

Size of Registered Shareholding	No. of shareholders	% of shareholders	No. of shares	% of issued share capital
500 or below	55	56.12	11,836	0.00
501 – 1,000	17	17.35	14,200	0.00
1,001 – 10,000	22	22.45	85,000	0.00
10,001 – 100,000	3	3.06	85,400	0.00
100,001 – 500,000	-	0.00	-	0.00
Above 500,000	1	1.02	3,048,407,307	99.99
Total	**98**	**100.00**	**3,048,603,743**	**100.00**

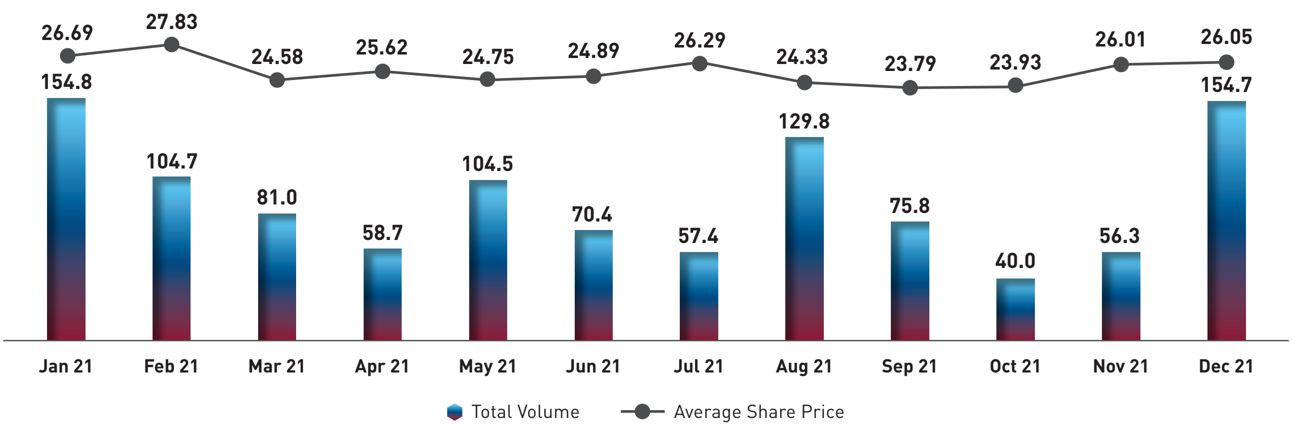
*90.78% of total issued shares or 2,777,735,918 shares were held through the Hong Kong Securities Clearing Company Limited as at 31 December 2021.

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.

FY2021 SHARE PRICE PERFORMANCE

Share Price (HK$) (Based on end of day closing price)	1 January to 31 December 2021
Opening	27.450
High	29.850
Low	22.300
Average	25.374
Last done at year end	26.350
Total volume (million shares)	1,095.5
Average daily trading volume (million shares)	4.4

FY2021 MONTHLY TRADING PERFORMANCE



STOCK CODES

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

INVESTOR RELATIONS CONTACT

Ms Chang Rui Hua
Group Head of Capital Markets and Investor Relations
Email: ir@esr.com

CORPORATE COMMUNICATIONS CONTACT

Ms Antonia Au
Group 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 stakeholders. Our objective is not risk minimisation, but rather the optimisation of opportunities within the known and agreed risk appetite levels set by the Board of Directors ("Board").

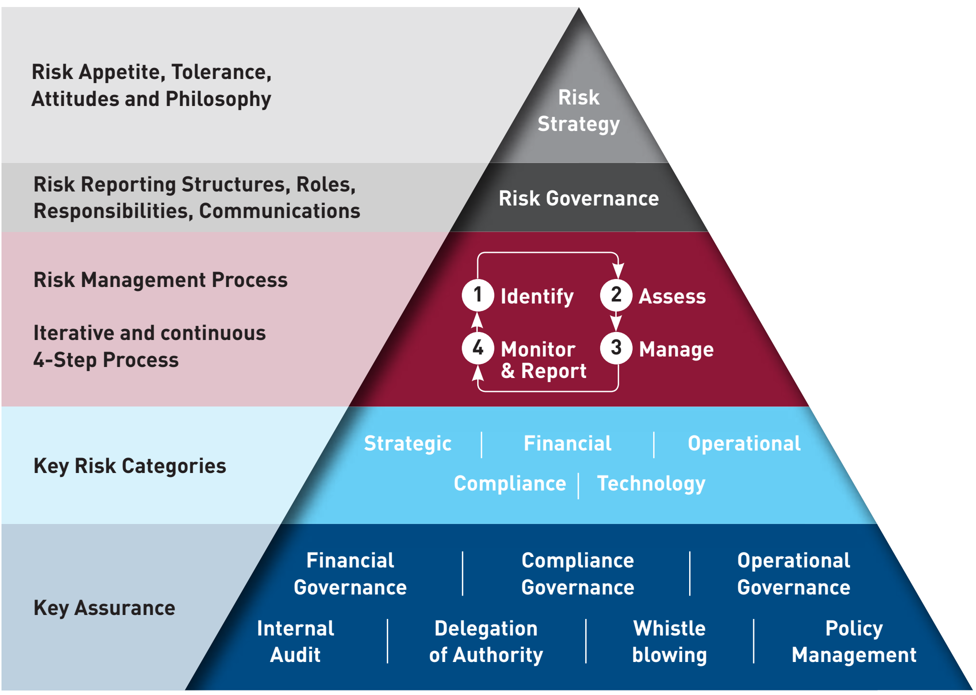
The Group's Enterprise Risk Management ("ERM") Framework provides a holistic and systematic approach for the identification, assessment, monitoring and reporting of risks. It is designed to be dynamic with the intent of fostering the right risk culture and responds promptly and effectively in the constantly 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, while 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 monitors the independence of risk management function throughout the Group. The Board, which is supported by the Audit Committee, comprises directors, whose collective diverse experience and knowledge serve to provide guidance and strategic insights and 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.

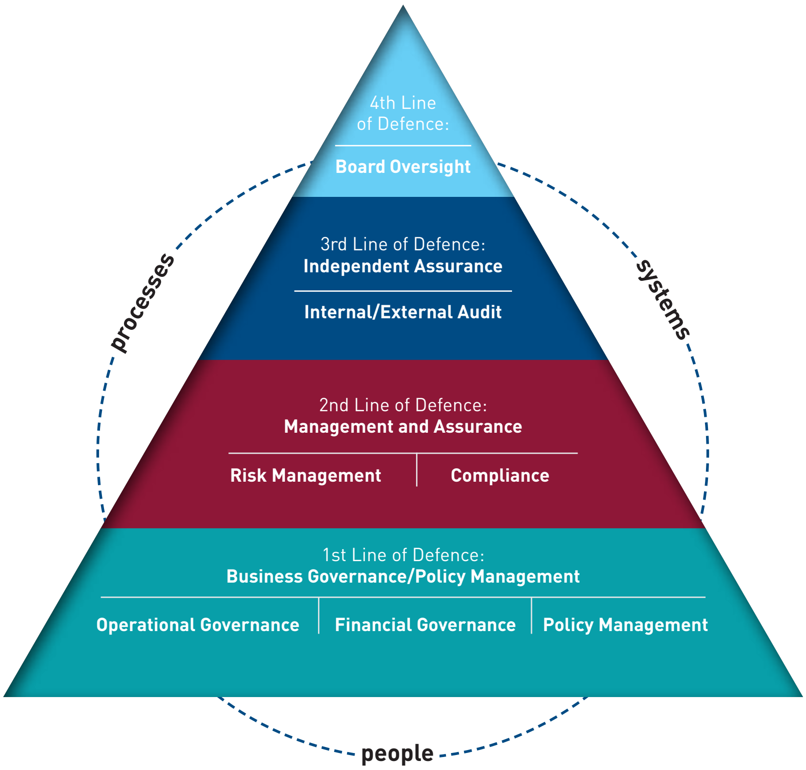
In establishing an organisation-wide risk governance structure, ESR adopts an ERM Framework which is adapted from both ISO 31000 International Risk Management Standards and COSO Internal Control-Integrated Framework for identifying, assessing, monitoring and reporting of risks. This framework aims to 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. The Group Risk Management department works closely with the management to continually review and enhance the risk management system in accordance with market practices and regulatory requirements, under the guidance and direction of the Audit Committee and the Board. Major changes to the ERM Framework, risk policies, risk parameters and terms of references are discussed with the Audit Committee.



CORPORATE GOVERNANCE

RISK MANAGEMENT

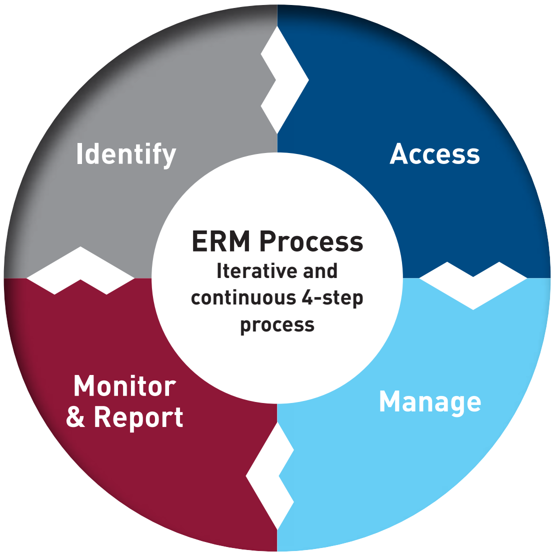
In establishing an organisation-wide risk governance structure, ESR adopts the 'four lines of defence' model. This governance model aims to drive risk accountability and ownership at all levels of the organisation, at the same time maintaining the right level of commitment and segregation across stakeholders.



Four Lines of Defence	
1st Line of Defence: Business Governance/ Policy Management	Processes, systems and risk owners constitute the first line of defence. Risk management should be embedded in day-to-day operations and governed by relevant Group-wide policies and procedures that can manage risks to an acceptable residual level for the achievement of the business objectives.
2nd Line of Defence: Management and Assurance	This line of defence comprises of risk management and compliance related functions within the Group. The main role of these functions is to ensure risk management and compliance related frameworks are well defined and consistently applied across the organisation.
3rd Line of Defence: Independence Assurance	Functions in this line of defence primarily provide independent assurance over the effectiveness of risk management and internal controls and recommends changes or improvements in response to different business and control environments.
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 the governance and oversight of risk management and internal control systems 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 process aimed at identifying, assessing, managing, monitoring & reporting 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 key risks throughout the Group. Key stakeholders within the organisation will come together to discuss the top-tier risks and examine any other risk issues and emerging risks that they consider important. The risk identification process includes the establishment of risk context, identification of risk factors, analysis and evaluation of risk levels and their related impacts on the business performance of the Group. 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. The magnitude of impact includes consideration of financial, regulatory, reputational and operational effects. 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 within the overall risk profile. Group Risk Management department 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 to manage these risks. 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, as well as mitigating controls in place to manage them. These risk assessments are conducted with the risk owners from country and Group levels during facilitated risk prioritisation and training workshops during the year. Action plans are then identified to further manage risks as necessary. Risk assessments are also 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 residual 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.

CORPORATE GOVERNANCE

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, assessing, managing, monitoring and reporting of key risks. Key issues noted are highlighted to appropriate parties in a timely manner. On a 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 volatilities and country specific risks such as competition, supply, demand and local regulations. Each new investment opportunity is subject to a rigorous, disciplined and thorough evaluation process including assessing the asset quality, market valuation, yield accretion, expected returns, professional third-party due diligence, future growth potential and sustainability of asset performance, taking into account the existing economic and financial market conditions. Each development project is subject to rigorous evaluation of land acquisition, review of the design and build of the assets and construction methods. 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. In addition, the Group ensures that there is effective communication with investors and business partners through regular dialogues to manage expectations, along with delivering excellent performance and track records.

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 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. In addition, ESR actively monitors macroeconomic trends, policies and regulatory changes which affect its operating markets, while assessing its investment projects.

In view of the successful acquisition of ARA Asset Management Limited ("ARA"), including its subsidiary LOGOS in January 2022, the enlarged ESR platform provides a suite of private real estate fund and REIT products that embrace every stage of the asset life cycle in the New Economy and prime commercial sectors. It also develops and manages a network of superior logistics, data centre and commercial assets across APAC's dynamic growth markets. As part of the integration process, the senior management team is focused on harnessing the synergies and opportunities of the enlarged Group driving strategic long-term growth in establishing new REITs, private real estate funds and investments in various real estate sectors, including the New Economy. In addition, the acquisition allows the Group to further strengthen its ESG leadership and offerings, given that both ARA and LOGOS have been pioneers on the sustainability front. The Group is committed to ensure it continues to integrate ESG into every aspect of its business, investments and operations.

Financial Risk

The Group believes that financial prudence is integral to business sustainability and adopts a disciplined financial management by maintaining a strong balance sheet and robust 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, hedging strategies and a low gearing ratio. Management also maintains a robust cash flow position and ensures that there are sufficient working capital lines to meet financial obligations. 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 to facilitate the understanding and implementation of different work processes. These operational procedures and guidelines are reviewed regularly to ensure relevance and effectiveness. As part of the business continuity procedures, incident reporting and escalation protocols are established and communicated to all staff for emergencies. This is to ensure the Group is able to respond effectively to disruptions resulting from internal and external events, while continuing its critical business function and minimising impact on its people, assets and operations.

During the COVID period, the Group also considers the well-being of staff with a decrease in the staff travelling and complying with local quarantine measures and restrictions issued by local governments. Flexible working arrangement has been rolled out for staff and no material operational disruption has been encountered with the adoption of effective communication platforms for workplace discussion and videoconferencing.

ESR also recognises that human capital is 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.

An Integration Committee, consisting of Senior Management of both organisations (ESR and ARA), has been set up to consider all implications of the merger and acquisition including strategic restructuring, integration of people, process and systems and alignment of group-wide governance and policies.

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, fines or revocation of business licenses which have potential reputational and financial impact. The Group has established a compliance framework that covers training, monitoring, reporting for any non-compliance including screening, investigations, enforcement and disciplinary actions. New and impending changes to regulations are closely monitored to ensure that the Group is adhering to regulatory requirements with material non-compliance or regulatory breaches escalated to the Board and management for follow-up.

A comprehensive corporate governance framework has been established to maintain responsible and transparent business practices and adopt a zero-tolerance approach to fraud, bribery and corruption of any form in the conduct of business. All employees are committed to acting professionally, transparently and fairly with integrity in all business dealings and relationships with our stakeholders. 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 to ensure that all business activities are conducted with honesty, fairness and high ethical standards. Compliance with policies and procedures is required at all times. In addition, there are mandatory annual ethics training and attestation & 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 on concerns raised, including termination of employment.

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. Training on IT security awareness is conducted regularly to keep the staff abreast of any potential security breaches and phishing scams. On top of the constant monitoring of internet gateways to detect potential security events, network vulnerability assessment and penetration testing are also conducted regularly to identify any potential security gaps.

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.

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 2021 (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 David Alasdair William MATHESON (appointed with effect from 30 March 2021)
Mr Hwee Chiang LIM (appointed with effect from 20 January 2022)
Dr Kwok Hung, Justin CHIU (appointed with effect from 20 January 2022)
Mr Rajeev Veeravalli KANNAN (appointed with effect from 20 January 2022)
Mr Zhenhui WANG (resigned with effect from 15 January 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

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 highlevel oversight of the management and operations of the Group.

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

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

Term of Appointment of Non-executive Directors

Each of the Non-executive Directors and Independent Non-executive Directors has entered into a letter of appointment with the Company for a term of three years 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. As at the date of this annual report, the Board currently comprised 14 Directors, five of which were 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. 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)				Annual	Extraordinary
Name of Director	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**General Meeting**	**General Meeting**
Executive Directors						
Mr Jinchu SHEN *(Co-CEO)*	6/7 (86%)	N/A	N/A	N/A	1/1 (100%)	1/1 (100%)
Mr Stuart GIBSON *(Co-CEO)*	7/7 (100%)	N/A	N/A	N/A	1/1 (100%)	1/1 (100%)
Non-executive Directors[note 6]						
Mr Jeffrey David PERLMAN[note 1] *(Chairman of the Board)*	3/7 (43%)	N/A	N/A	3/3 (100%)	1/1 (100%)	1/1 (100%)
Mr Charles Alexander PORTES[note 2]	6/7 (86%)	N/A	N/A	N/A	1/1 (100%)	1/1 (100%)
Mr Wei HU [note 3]	4/7 (57%)	N/A	N/A	N/A	1/1 (100%)	1/1 (100%)
Mr David Alasdair William MATHESON[note 4]	6/6 (100%)	N/A	N/A	N/A	1/1 (100%)	1/1 (100%)
Mr Zhenhui WANG [note 5]	1/1 (100%)	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors [note 6]						
Mr Brett Harold KRAUSE	7/7 (100%)	2/2 (100%)	1/1 (100%)	3/3 (100%)	1/1 (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%)	1/1 (100%)
Mr Simon James MCDONALD	7/7 (100%)	2/2 (100%)	N/A	3/3 (100%)	1/1 (100%)	1/1 (100%)
Ms Jingsheng LIU	7/7 (100%)	N/A	1/1 (100%)	N/A	1/1 (100%)	1/1 (100%)
Mr Robin Tom HOLDSWORTH	7/7 (100%)	2/2 (100%)	N/A	N/A	1/1 (100%)	1/1 (100%)

Notes:
1 Mr Jeffrey Perlman recused himself for four of the meetings in accordance with our Articles of Associations.
2 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;
3 Mr Wei Hu was appointed as a Non-executive Director with effect from 2 February 2021;
4 Mr David Alasdair William Matheson was appointed as a Non-executive Director with effect from 30 March 2021;
5 Mr Zhenhui Wang resigned as a Non-executive Director with effect from 15 January 2021; and
6 Mr Hwee Chiang Lim, Dr Kwok Hung Justin Chiu and Mr Rajeev Veeravalli Kannan, who were appointed as Non-executive Directors with effect from 20 January 2022, were not Directors during the Year.

CORPORATE GOVERNANCE REPORT

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 2021 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 Wei HU *(appointed with effect from 2 February 2021)*	√
Mr David Alasdair William MATHESON *(appointed with effect from 30 March 2021)*	√
Mr Zhenhui WANG (resigned with effect from 15 January 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	√

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 Hwee Chiang Lim, Mr Kwok Hung Justin Chiu and Mr Rajeev Veeravalli Kannan, who were appointed as Non-executive Directors with effect from 20 January 2022, were not Directors during the Year.

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.

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 and in August 2021 for the review of the 2020 annual results and 2021 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.

CORPORATE GOVERNANCE REPORT

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 of the 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 three meetings in March, June and December 2021 for the determination of the policy for the remuneration of Executive Directors, assessment of the performance of Executive Directors and approval of the terms of Executive Directors' service contracts. The Remuneration Committee also reviewed and proposed the adoption of a Long Term Incentive Plan ("Long Term Incentive Scheme") to grant share-based awards as part of the company's remuneration framework. The Long Term Incentive Scheme was approved by shareholders on 2 June 2021.

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 2021 is set out below:

	For the year ended 31 December	
	2021 Number of Individuals	2020 Number of Individuals
Remuneration band (USD)		
Below US$2,000,000	1	1
US$2,000,001 to US$4,000,000	2	1
US$4,000,001 to US$6,000,000	–	2

Particulars of remunerations of executive directors are set out in note 9 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 one meeting attended by all members of the Nomination Committee in March 2021 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.

CORPORATE GOVERNANCE REPORT

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 consider setting measurable objectives to implement the Board Diversity Policy and regularly review such objectives to ensure their appropriateness and ascertain the progress made towards achieving those objectives. For the Financial Year 2021, the Nomination Committee is of the view that the Board composition satisfied the objectives of the Board Diversity Policy. Given the enlarged size of the Board and the growth of the Company, it will conduct a review of the Policy on an annual basis to ensure continued effectiveness of the Policy in delivering its objectives.

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

Corporate Governance Functions

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

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

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

COMPANY SECRETARY

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

Pursuant to rule 3.29 of the Listing Rules, Mr Lee undertook no less than 15 hours of relevant professional training in 2021.

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 2021. 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 124 to 128 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 non-audit services relating to tax and transaction services; for the year ended 31 December 2021 amounted to approximately US$3,112,000 and US$574,000, respectively.

Internal controls and risk management

The Board is responsible for evaluating and determining the nature and extent of the risks ESR is willing to take in achieving its strategies objectives and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems on an ongoing basis. This includes ensuring the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function, as well as those relating to the Company's ESG performance and reporting.

Recognising and managing risks in a timely and effective manner is essential to ESR's business and protecting its stakeholders' interests and value. While acknowledging responsibility for the systems and reviewing their effectiveness, the Board recognises that the systems are designed to assist the Company in managing, rather than eliminating 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. The Audit Committee ensures that a robust risk management framework and sound system of internal controls is maintained by management.

Under its terms of reference, the Audit Committee's scope of duties and responsibilities is as follows:

a) reviewing the risk management framework, including the processes and resources to identify, assess, monitor and report key risks;
b) overseeing the design, implementation and monitoring of the risk management and internal control system;
c) reviewing the adequacy of risk management practices for key risks, such as strategic, financial, compliance, operational and technology risks, on a regular basis, including reviewing the governance and process for effective risk management;
d) overseeing the matters in the Corporate Governance Code; and
e) considering and advising on risk matters referred to it by the Board or management.

CORPORATE GOVERNANCE REPORT

The Company implemented the following risk management and internal control structures and measures to identify, assess, monitor and report key risks:

- Enterprise Risk Management ("ERM") Framework is based on the ISO 31000 International Risk Management Standards and COSO Internal Control-Integrated Framework for identifying, assessing, monitoring and reporting of risks. The Framework consists of tools such as risk governance, risk policies and risk parameters which are dynamic and adaptable to the changing business environment. It also provides a holistic and systematic approach for the identification, assessment, monitoring and reporting of key risks to management, Audit Committee and the Board.
- As the risk profile changes from time to time, management performs periodic risk assessment by monitoring risk changes and trends as well as the effectiveness of the related control mechanisms and/or control activities within the overall risk profile on an as-needed basis, or at least once a year to ensure that they remain relevant.
- The Company has an internal audit 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 allows employees and outside third parties that have business relationships with the Company to raise any concerns about improprieties, malpractices and misconduct 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 such reports will be treated fairly and be protected from reprisal. All whistleblowing reports will be reviewed by the Group Compliance Director and the General Counsel. The ensuing investigation reports will be sent to the Audit Committee for further action.

Refer to "Risk Management" on pages 59 to 63 of this annual report for further details of the Group's risk management programme.

In addition, the Company has adopted a disclosure control policy which provides a general guide to Directors, 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 is satisfied with, the effectiveness and adequacy of the systems. No significant areas of concern are brought to the attention of the Board.

Internal Audit

The Group Internal Audit department is responsible for providing independent assurance regarding the existence of adequate and effective internal control environment adopted by the Company. The Group 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 Group 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 Group 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 Suites 2905-06, Two Exchange Square, 8 Connaught Place, 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 Suites 2905-06, Two Exchange Square, 8 Connaught Place, Central, Hong Kong, with a copy of the proposal delivered to the Company's Hong Kong branch share registrar.

Putting Forward Enquiries to the Board

Shareholders may submit their enquiries and concerns to the Board in writing with their detailed contact information and addressed to the Board or the Company Secretary at the Company's principal place of business in Hong Kong at Suites 2905-06, Two Exchange Square, 8 Connaught Place, 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 56 to 58 of this Annual Report.

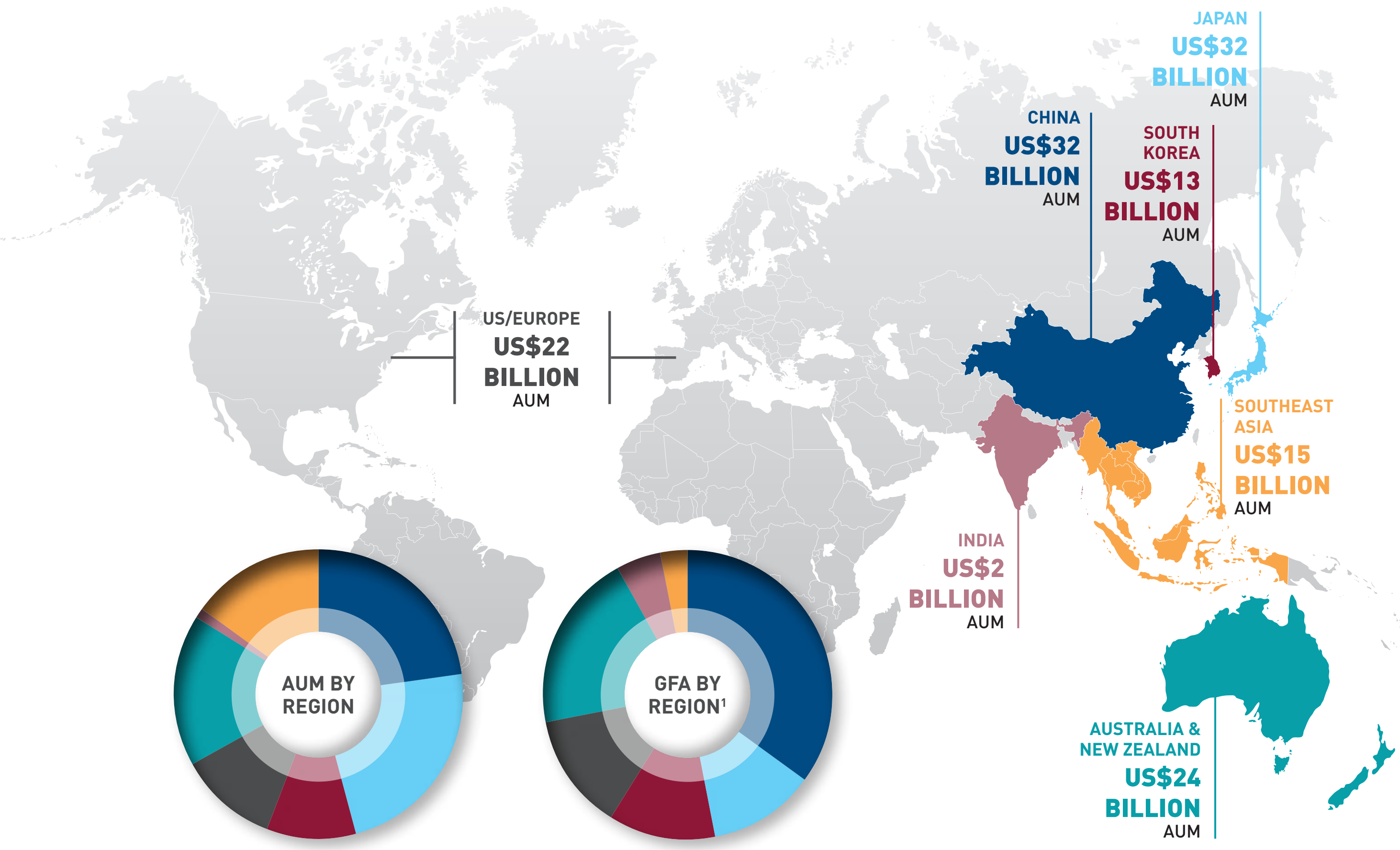
PRO FORMA ESR GROUP

OVERVIEW OF ESR GROUP

APAC'S #1 REAL ASSET MANAGER POWERED BY THE NEW ECONOMY

ABOUT ESR GROUP

ESR is APAC's largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally. With over US$140 billion in total assets under management (AUM), our fully integrated development and investment management platform extends across key APAC markets, including China, Japan, South Korea, Australia, Singapore, India, New Zealand and Southeast Asia, representing over 95% of GDP in APAC, and also includes an expanding presence in Europe and the U.S. We provide a diverse range of real asset investment solutions and New Economy real estate development opportunities across our private funds business, which allow capital partners and customers to capitalise on the most significant secular trends in APAC. With 14 listed REITs managed by the Group and its associates, ESR is the largest sponsor and manager of REITs in APAC with a total AUM of US$45 billion. Our purpose – *Space and Investment Solutions for a Sustainable Future* – drives us to manage sustainably and impactfully and we consider the environment and the communities in which we operate as key stakeholders of our business.



CHINA	23%
JAPAN	23%
SOUTH KOREA	10%
SOUTHEAST ASIA	11%
AUSTRALIA/NEW ZEALAND	17%
INDIA	1%
US/EUROPE	15%

CHINA	35%
JAPAN	12%
SOUTH KOREA	12%
SOUTHEAST ASIA	13%
AUSTRALIA/NEW ZEALAND	20%
INDIA	5%
US/EUROPE	3%

Note:
1 As of 31 December 2021, excluding assets managed by associates.

ESR GROUP'S ROBUST SCALE, VASTLY EXPANDED CAPABILITIES AND DEEPER BREATH OF OFFERINGS WILL DEFINE THE FUTURE OF APAC REAL ESTATE

#1 REAL ASSET MANAGER IN APAC

OVER US$140 BILLION
AUM[2]

>95%
OF GDP IN APAC COVERED[3]

31%
AUM GROWTH[4]

>2x Closest Peer by AUM

POWERED BY THE NEW ECONOMY

US$59 BILLION
AUM IN NEW ECONOMY

~US$11 BILLION
DEVELOPMENT WIP[5]

>1,200MW
DATA CENTRE PIPELINE[5]

New Economy Champion with Leadership Positions in All Key APAC Markets

WITH A FULL SUITE OF INVESTMENT SOLUTIONS

US$95 BILLION
PRIVATE INVESTMENT VEHICLES[2,6]

US$45 BILLION
PUBLIC REITS[2]

63%
PERPETUAL + CORE CAPITAL[2] WITH 14 LISTED REITS

Comprehensive Real Asset Investment Solutions Across the Risk Spectrum

AND A GLOBAL FOOTPRINT WITH A LEADING APAC PRESENCE

3RD LARGEST
LISTED REAL ESTATE INVESTMENT MANAGER GLOBALLY[7]

39.8 MILLION
SQM of GFA[8]

28
COUNTRIES; ~84% OF ASSETS ALLOCATED IN APAC

Only Player with Leadership Presence; Across APAC Powered by a Fully Integrated & Localised Team

Notes:
2 Including the AUM of associates (Cromwell and Kenedix) as of 31 December 2021.
3 Based on 2020 Nominal GDP per Euromonitor.
4 2016-2021A CAGR for pro forma ESR Group (incl. ESR, ARA and LOGOS); includes AUM of associates.
5 As of 31 December 2021.
6 Private Real Estate Vehicles include ESR balance sheet assets and non-REITs AUM of Cromwell & Kenedix; include credit AUM from Venn.
7 Real estate AUM only; peer data as of 31 December 2020 based on IREI Global Investment Managers 2021 report; ESR data as of 31 December 2021.
8 As of 31 December 2021; excluding assets managed by associates.

PRO FORMA ESR GROUP

OUR PURPOSE

SPACE AND INVESTMENT SOLUTIONS FOR A SUSTAINABLE FUTURE

ESR is APAC's leading real asset manager powered by the New Economy. On the back of the accelerating advancement, broad-based adoption and high frequency usage of technology, we are witnessing a once-in-a-multi-generation change in real estate and our vision is to deliver a fully integrated solution to leading global capital partners and customers. As a part of this continuous pursuit, we will leverage our scale, extensive offerings, capabilities and resources to provide a suite of best-in-class real estate development products and real asset investment solutions that spur meaningful, long-term sustainable growth of the business, the economy and the environment. We are fully focused on contributing to a positive impact for our employees, customers, investors and the communities around us.

CUSTOMERS

Our network of superior, strategically located properties supports our customers' businesses as they navigate the opportunities and challenges of the New Economy. With an unparalleled formula of strategic vision, industry insight and a customer-centric approach, we continue to create and deliver best-in-class space and provide integrated solutions which continually set new benchmarks in innovation and sustainable operations.

INVESTORS

Our robust fund management platform provides a unique fully-integrated closed-loop solutions ecosystem, which affords capital partners a comprehensive approach in achieving their investment objectives. We offer compelling investment solutions to access New Economy and alternative assets in the most dynamic sector of the world's fastest growing markets.

EMPLOYEES

We strongly believe in diversity and having an inclusive culture in order to attract a diverse pool of talent that helps us build a first-rate team to achieve our goals and desired results. Our employees are encouraged to learn, grow and develop on both personal and professional levels – enabling them to progress and realise their fullest potential.

COMMUNITIES

ESG and sustainability are at the very heart of our business, driving each and every part of our operations. Our teams are bound together by the conviction that everything we do today can generate a profound and positive impact on the industry, the well-being of people and the broader community for generations to come.

PRO FORMA ESR GROUP

HIGHLY SCALABLE ASSET-LIGHT BUSINESS MODEL

OUR FULLY INTEGRATED BUSINESS MODEL GENERATES RECURRING FEES THROUGHOUT THE WHOLE ASSET LIFE CYCLE

ESR'S ROBUST AND FULLY INTEGRATED PRODUCT OFFERING

NEW ECONOMY DEVELOPMENT

- Land Sourcing and Entitlement
- Premier Design and Construction Capabilities
- Leasing and Customer Solutions
- Asset and Property Management

REAL ASSET INVESTMENT SOLUTIONS

- Capital Management and Capital Recycling
- Asset Enhancement and Re-positioning
- Property Conversions and Repurposing
- ESG / Sustainability Upgrades / Finance / Legal / HR Teams

PUBLIC REITS

- Professional Asset Management
- Asset Monetisation Solutions
- Stable Income Returns
- Full Suite of Public Market Capabilities

Base / Asset Management Fees	Property Management Fees	Development Fees	Leasing Fees	Acquisition / Divestment Fees	Promote Fees

DIVERSE AND HIGH MARGIN FEE OPPORTUNITIES ACROSS THE REAL ASSET VALUE CHAIN

PRO FORMA ESR GROUP

OUR VALUES

OUR AMBITIONS AS A FIRM EXTEND WELL BEYOND THE PURSUIT OF FINANCIAL SUCCESS. WE PROVIDE INNOVATIVE SPACE AND SUSTAINABLE INVESTMENT SOLUTIONS THAT BENEFIT THE PEOPLE AND COMMUNITIES AROUND US. WE SEEK TO ACHIEVE SUSTAINABLE GROWTH THROUGH A HARMONIOUS BALANCE OF PERSONAL, PROFESSIONAL, AND SOCIAL VALUES - PILLARS THAT DEFINE AND SET US APART AS A GREAT COMPANY.

EXCELLENCE

We strive for excellence in every aspect of our business. We maintain high standards of performance and accountability, and we seek to learn, explore and improve continuously.

INCLUSION

We embrace diversity, equity and inclusion in the workplace. We believe trust and mutual respect among colleagues, partners and stakeholders are cornerstones of growth and success.

ENTREPRENEURSHIP

Our entrepreneurial spirit reflects our passion, courage and desire to succeed and ultimately drives the creation of opportunities and the delivery of superior outcomes in a competitive marketplace.

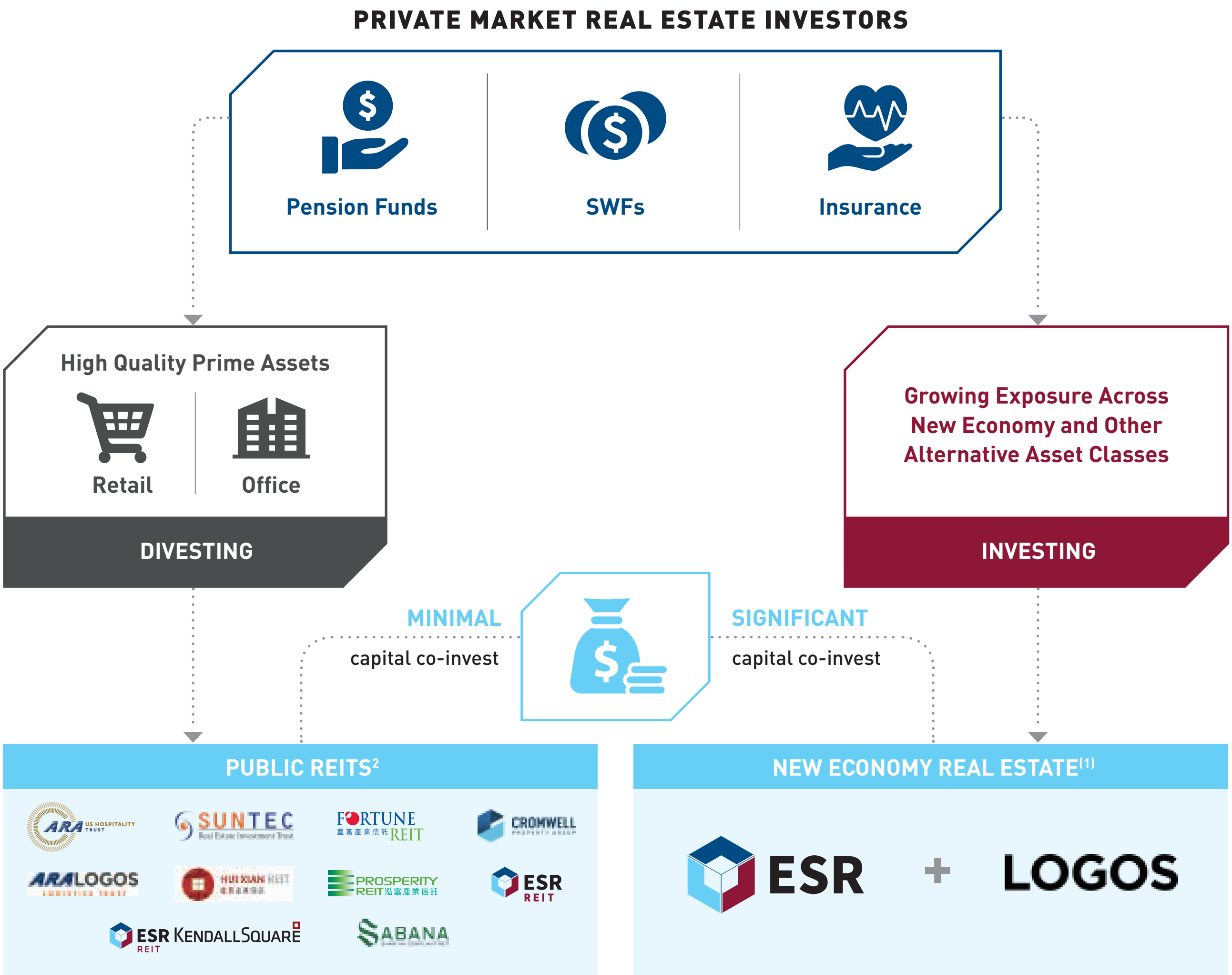
SUSTAINABILITY

Sustainability is central to our mission because we aspire to improve the environmental prospects of our planet. Our responsibilities to stakeholders, local communities and the world at large grow in tandem with our business. Accordingly, we commit to lead and embrace the highest standards of governance in forging a path to become a carbon neutral business.

PRO FORMA ESR GROUP

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

ESR Group offers leading global and regional investors a fully-inclusive integrated platform to rebalance their portfolios. By creating a one-of-a-kind closed loop solutions ecosystem for capital partners with the addition of ARA, ESR Group can leverage our perpetual capital vehicles to help them divest these assets and captively redeploy back into New Economy real estate via ESR and LOGOS — the largest New Economy real estate platform in APAC with US$59 billion of AUM.



ESR IS WELL-POSITIONED TO CAPTURE THE ENTIRE FEE POOL AND BENEFIT FROM A FULLY INTEGRATED CLOSED LOOP SOLUTIONS ECOSYSTEM THAT CREATES VALUE FOR ITS STAKEHOLDERS

Source: Company Filings

Notes:
1 Include logistics and data centres via ESR and LOGOS.
2 On 21 March 2022, ESR-REIT and ARA LOGOS Logistics Trust unitholders approved the merger to form ESR- LOGOS REIT.

PRO FORMA ESR GROUP

KEY TRENDS TO SUPPORT OUR GROWTH STRATEGIES

GLOBAL TRENDS

ASIA PACIFIC LOGISTICS – LARGEST SECULAR GROWTH OPPORTUNITY IN ASIA

Rapid rise of New Economy

Growth in real assets

Financialisation of real estate in APAC

OUR COMPETITIVE STRENGTHS

1 Real Asset Investment Manager Powered By The New Economy

ESR is APAC's largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally. With over US$140 billion in total assets under management (AUM), our fully integrated development and investment management platform extends across key APAC markets, including China, Japan, South Korea, Australia, Singapore, India, New Zealand and Southeast Asia, representing over 95% of GDP in APAC, and also includes an expanding presence in Europe and the U.S.

2 Fully Integrated Closed-Loop-Solutions Eco-system

Offering a full suite of both public and private investment solutions, ESR has created the only fully integrated closed-loop-solutions ecosystem for real estate globally. The platform allows global capital partners to increase allocation to New Economy real estate where they are still significantly underweight. Leveraging an expanded network of capital partners and resources, the enlarged ESR Group will further expand and diversify its product offerings.

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 longterm 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

PRO FORMA ESR GROUP

OPERATIONS REVIEW
AT A GLANCE

FY2021 KEY HIGHLIGHTS

Total combined AUM of US$140.2 billion[1]

New Economy AUM of US$59 billion[2]

Combined data centre pipeline[3] of over 1,200MW of capacity across the region

Portfolio GFA over 39 million sqm[4]

#1 REAL ASSET INVESTMENT MANAGER IN ASIA POWERED BY THE NEW ECONOMY

The completion of the acquisition of ARA has vastly expanded the scale, capabilities, offerings and resources of ESR. As APAC's largest real asset manager and the third largest listed real estate investment manager globally with a total AUM[1] of US$140.2 billion, the ESR Group maintains a dominant leadership position with approximately 84% of its assets allocated in APAC.

With the addition of LOGOS, ESR Group also cements its position as APAC's largest New Economy real estate platform with a leading (#1 or #2) position in every key market in APAC with the ability to offer a comprehensive pan-Asia solution to its customers and capital partners.

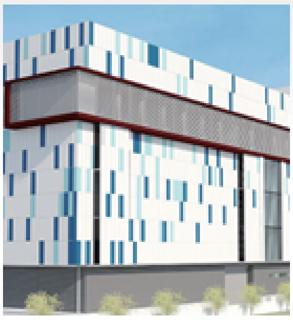
We use in-house capabilities to source, design, construct, lease and manage modern logistics facilities primarily in Tier 1 and Tier 1.5 cities across Asia and our geographic presence extends across more than 95% of GDP in Asia Pacific. The Enlarged ESR group is the only player with leadership presence across APAC and is powered by fully integrated and localised teams.

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 relationships) 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.

ROBUST DIGITAL INFRASTRUCTURE PLATFORM

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



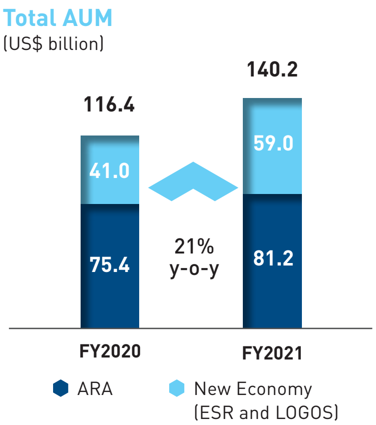
"Rendering of ESR Cosmosquare data centre asset in Osaka, Japan"

As of 31 December 2021, ESR's data centre portfolio consists of six owned development assets totalling 260MW IT load in Hong Kong, Osaka, Sydney, Mumbai, Jakarta, and Singapore. The portfolio also includes five operational assets in master-leases to key operators in Osaka, Singapore, China and South Korea. Additionally, ESR's strong pipeline of new development opportunities in Tokyo, Osaka, Seoul, Beijing, and Taipei creates the opportunity to propel the portfolio further.

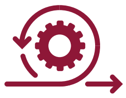
With the completed acquisition of ARA which brings together LOGOS to form a multi-pronged platform, the enlarged ESR Group has a combined data centre pipeline[3] of over 1,200MW of capacity across the region, reinforcing the robust prospects of the Group's industry-leading New Economy real estate platform.

PRO FORMA ESR GROUP OPERATIONAL HIGHLIGHTS

For FY2021, we recorded a 44% year-on-year growth in new economy assets under management (AUM) which propelled our total AUM up 21% to US$140.2 billion as at 31 December 2021, on the back of increased scale across APAC. Underpinning our robust scale, the Enlarged ESR Group has greater depth in offering a comprehensive real asset investment solutions ecosystem, of which US$95 billion in invested in private investment vehicles[5] and US$45 billion in Public REITs[1]. With our growing and extensive reach across Asia Pacific, we are well-positioned to support our tenants in their regional expansion plans.



KEY DRIVERS OF OUR GROUP'S THREE PILLARS OF BUSINESS – PRO FORMA

	Income	Expenses	Key Drivers
 INVESTMENT	• **Completed B/S properties** Rental income + revaluation gains • **Fund co-investments** Pro rata earnings • **Listed securities** Dividend income • **Solar energy income**	• Direct costs for rental and solar energy income • Allocated administrative expense	• Rental growth and high occupancy • Cap rate compression • High dividend payout from listed securities
 FUND MANAGEMENT	• Base/Asset management fees • Development fees • Acquisition fees • Leasing fees • Carried interest/promote	• Allocated administrative expenses	• Strong fund AUM growth • Significant development pipelines in funds • Promote fee opportunity
 DEVELOPMENT	• **B/S development profits** Revaluation gains on properties under construction + disposal gain on sale • **Funds' development profits** • **Construction income**	• Construction costs • Allocated administrative expenses	• 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

Notes:
1 Includes the AUM of associates (Cromwell and Kenedix) as of 31 December 2021.
2 Includes ARA LOGOS Logistics Trust, ESR-REIT and ESR Kendall Square REIT as of 31 December 2021.
3 As of 31 December 2021.
4 As of 31 December 2021, excluding assets managed by Associates.
5 Private real estate vehicles include ESR balance sheet investment properties and non-REITs AUM of Cromwell and Kenedix; includes credit AUM from Venn.

PRO FORMA ESR GROUP

OPERATIONS REVIEW
INVESTMENT SEGMENT

FY2021 KEY HIGHLIGHTS

- E-commerce and 3PLs comprise 62%[1,2] of combined portfolio
- Healthy weighted average lease expiry of 4.7 years by income[1,2]
- Strong portfolio occupancy of 94%[2,3]
- 4.3 million sqm of space leased across portfolio[2,3]

50-80 Stanley Drive, Somerton, Victoria, Australia

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 necessary.

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 for the Enlarged Group was US$3.8 billion, accounting for approximately 2.7% of total AUM of across the portfolio as at 31 December 2021.

Refer to "Property Portfolio" on pages 22 to 25 for information on ESR Standalone FY2021 Balance Sheet investment properties.

DRIVEN BY NEW ECONOMY

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, multi-national 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.

On an Enlarged Group basis, e-commerce and 3PLs represent 62% of our portfolio lease profile by income in FY2021[1,2]. The top 10 tenants in the portfolio accounted for 33% of the FY2021 rental income and 24% of leased area[2]. Amongst our top 10 tenants, nine of ten are e-commerce related as New Economy remains the main driver for the Enlarged Group.

In FY2021, the Enlarged Group leased 4.3 million of space across the portfolio, and 80% of these new leases signed in FY2021 were leased to e-commerce companies and 3PLs[2,3].

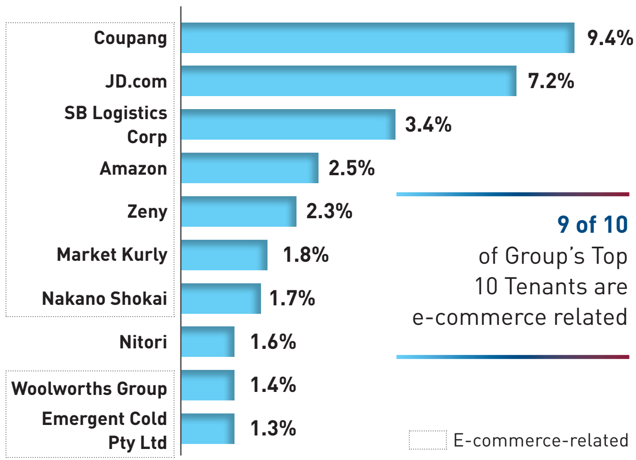
WELL-SPREAD LEASE EXPIRY PROFILE

Our Enlarged Group portfolio enjoys stability from its well-spread lease profile, with a weighted average lease expiry ("WALE") of about 4.5 years by leased area and 4.7 years by income[2] as at 31 December 2021, providing a stable and secure income base while benefitting from upward rental growth momentum and external growth opportunities.

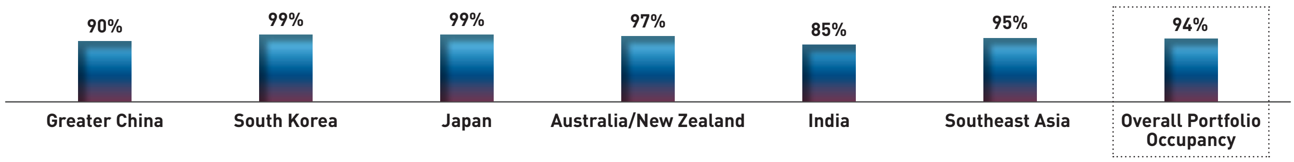
With healthy occupancies across our portfolio, we will continue to focus on maintaining steady occupancies of 94%[3] at ESR and 95%[3] at LOGOS. As at 31 December 2021, the Group maintained a strong group portfolio occupancy rate of 94%[3].

Portfolio Lease Proflie By Income

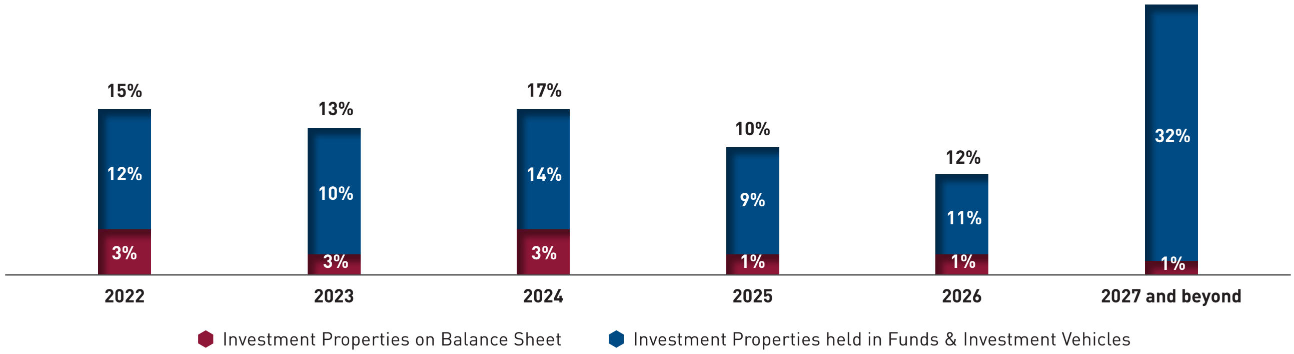
Portfolio Top 10 Tenants By Income



Regional Portfolio Occupancy



Portfolio Lease Expiry Profile By Area



As at 31 Dec 2021	Investment Properties held on Balance Sheet	Investment Properties held in Funds & Investment Vehicles	Portfolio
WALE (by leased area)	2.9 years	4.7 years	4.5 years
WALE (by income)	2.3 years	4.9 years	4.7 years

Notes:
1 Based on rental income charged for FY2021 across portfolio.
2 New economy assets only.
3 Based on stabilised investment properties on balance sheet and investment properties held in the funds and investment vehicles.

PRO FORMA ESR GROUP

OPERATIONS REVIEW
FUND MANAGEMENT SEGMENT

FY2021 KEY HIGHLIGHTS

- Record capital fundraising of US$13.2 billion with an average co-investment of 8%[1]
- US$9.8 billion of capital[2] to be deployed
- 63%[3] of AUM from perpetual and core-capital vehicles with 14 listed REITs

ESR Bhiwandi 1 Logistics Park, India

FUND MANAGEMENT SEGMENT

We earn fee income from managing the underlying assets on behalf of our capital partners through the funds and investment vehicles we manage. Our fees include base management fees, asset management fees, acquisition fees, development fees and leasing fees. We also participate in a share of profits through promote 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.

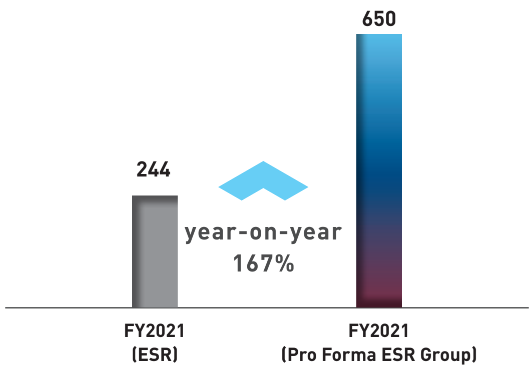
Our fund management platform offers a variety of products across the spectrum of geography, risk and liquidity to attract broad sections of the global investor universe, gives us the ability to manage the underlying assets across the development cycle and provides us with an efficient platform for recycling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

With the successful completion of the acquisition of ARA, the ESR Group is the largest sponsor and manager of REITs in APAC with 14 individual REITs representing over a 10% market share. This additional fund management income from predominantly perpetual and core-capital vehicles enhances the Group's resilience. We are committed to the long-term growth of all ESR-managed REITs and our sponsorship will include access to our strong portfolio of real estate properties as well as financial and operational support. The Group's continued commitment and support will ensure the REITs are well positioned to capture the largest secular trends and deliver long-term sustainable growth and expansion.

Notes:
1 Average co-investment percentage on new funds raised by the Enlarged ESR Group in FY2021.
2 Includes uncalled equity and associated debt.
3 Including the AUM of associates (Cromwell and Kenedix) as of 31 December 2021.

Fundraising momentum remains strong across the broader Group as we continue to deepen relationships with new and existing capital partners. For full year 2021, the enlarged ESR Group raised US$13.2 billion of new capital mandates with an average co-investment of just 8%[1]. The Group still has US$9.8 billion of dry powder to invest in New Economy which puts us in a good position to continue growing our fund management EBITDA.

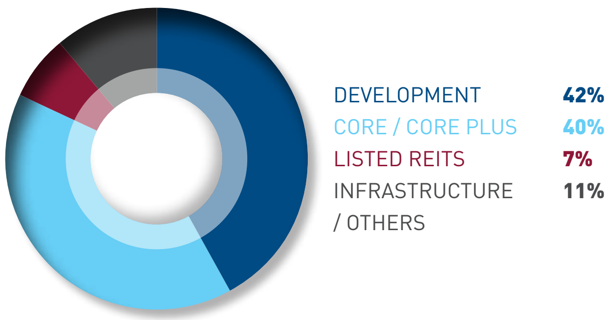
Group Fund Income
(US$ billion)



During FY2021, we have executed the following fund raising initiatives:

Category	Country	Equity raised (US$ million)
Development	China	1,256
	Japan	675
	Australia	2,850
	Southeast Asia	566
	Pan APAC	185
Core/Core Plus	Japan	884
	South Korea	1,376
	Australia	1,476
	Southeast Asia	103
Others		3,830
Total		**13,200**

FY2021 Capital Raised By Fund Type



FY2021 Capital Raised By Entity

ACCELERATING ASSET-LIGHT TRAJECTORY

With the addition of ARA, the Enlarged ESR Group has expanded products and capital relationships to further accelerate our asset light trajectory to enhance ROI. We can make the business even more capital efficient now through:

1) Leveraging the historically lower co-investment stakes in the ARA/Logos vehicle to progressively reduce our stakes in future vehicles,

2) increasing margins by expanding upon our Pan-Asia investment vehicles which will enlarge our family of fully-discretionary investment products and attract a different segment of institutional investment partners,

3) selling-down our data centre assets acquired on balance sheet to seed our new planned data centre fund, and

4) accelerating the recycling of capital from mature development projects (on our balance sheet and in our funds) into our newly expanded portfolio of REITs and core investment vehicles.

PRO FORMA ESR GROUP

OPERATIONS REVIEW
FUND MANAGEMENT SEGMENT

CASE STUDY

MILESTONE PORTFOLIO

In June 2021, ESR completed the acquisition of the Milestone Portfolio and its operating business from Blackstone, marking Australia's largest-ever logistics portfolio transaction. The A$3.8 billion acquisition includes 45 high-quality income-producing assets and the associated operating business, propelling ESR to become a top three logistics and industrial owner in Australia, despite having just entered the Australian market in 2018.

Since taking over the portfolio, we have leveraged our deep customer relationships as well as our rigorous asset management to grow the occupancy from 94.2% at acquisition to 99.5% as at 31 December 2021. Portfolio value has also increased 5.5% in the six months since acquisition with strong growth in underlying values of the portfolio.

PRO FORMA ESR GROUP

OPERATIONS REVIEW
DEVELOPMENT SEGMENT

FY2021 KEY HIGHLIGHTS

- Development WIP of US$10.5 billion – the largest in APAC
- Record new development starts of US$5.4 billion
- Strong landbank of over 5.1 million sqm across combined portfolio
- Robust development pipeline of 24.3 million sqm


ESR Chengdu Qingbaijiang 1, China

DEVELOPMENT SEGMENT

We have established efficient, high-quality and scalable capabilities for greenfield and brownfield developments in each country where we operate. Our extensive inhouse 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 continues to leverage third-party capital to fund developments and exercise a disciplined asset light approach to achieve our targeted development completions.

In FY2021, the total estimated investment value of new development starts totalled US$5.4 billion, primarily in Japan, Australia, China, Japan, South Korea, Southeast Asia and India. The new projects represented 5.3 million sqm across the Enlarged portfolio.

PRO FORMA ESR GROUP

OPERATIONS REVIEW
DEVELOPMENT SEGMENT

Strong customer demand, particularly from e-commerce related customers, has translated to a strong growth of 50% year-on-year in development work in progress ("WIP"), as the Group's current developments focus on higher-value projects with increased scale and higher quality. In FY2021, the Enlarged Group had a robust US$10.5 billion development WIP – the largest development workbook in APAC. Our development workbook is well-spread across our key APAC markets, and the Enlarged Group is well-placed to benefit from a strong pipeline of quality, large scale developments. These are projects that will act as cornerstones of our core funds, local REITs and as key assets in the growth of the enlarged ESR-LOGOS REIT upon completion and stabilisation. In the near term, we can expect the completion of the larger scale projects including phase 1 of Moorebank in Sydney, Opo Logistics Park in Greater Seoul, Tuas Logistics Hub in Singapore and the phase 1 of Sachiura in Japan.

In FY2021, the total investment value of our development completions was US$3.0 billion, representing 2.3 million sqm across our portfolio, and were largely in China, Australia, Japan, South Korea and India. Projects that were completed in 2021 include Logos Wuhan EWL, ESR Jiaxing Haining, Changwon and ESR Kawasaki Yako Distribution Centre.

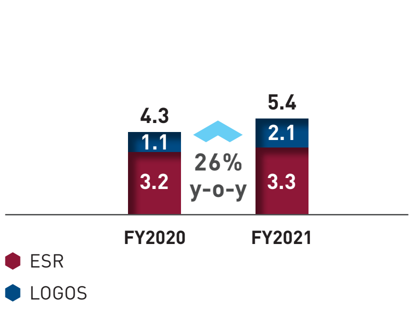
The Enlarged Group has also assembled a robust development pipeline of 24.3 million sqm, including a strong landbank of 5.1 million sqm to expand our portfolio moving forward, and leverage on the strong customer demand for logistics facilities.

SELECTED WIP LOGISTICS PROJECTS

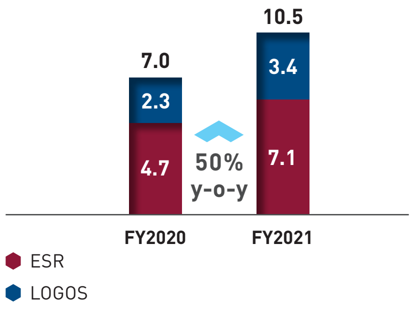
Name of Project	Location	Expected Completion	GFA ('000 sqm)	Total Development Cost (US$ million)
Moorebank[1]	Sydney, Australia	2022 (Phase 1)	>860	~800 (Phase 1)
Higashi	Greater Tokyo, Japan	2023	365	871
Sachiura[2]	Greater Tokyo, Japan	2022 (Phase 1)	196 (Phase 1)	864 (Phase 1)
		2023 (Phase 2)	195 (Phase 2)	
Opo Logistics Park	Greater Seoul, South Korea	2022 (Phases 1 and 2)	249	362
Tuas Logistics Hub	Singapore	2022 (Phases 1 and 2)	248	576
Wiri Logistics Estate	Auckland, New Zealand	2022 (Phase 2)	115	212

Notes:
1 The total development cost of Moorebank is estimated to be US$2 billion. For conservatism, only the first phase (US$1.1 billion) is included in the development starts and WIP book.
2 Exclude phase(s) that are not currently work-in-progress.

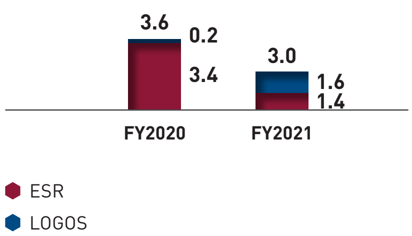
Development Starts
Estimated Total Cost (US$ billion)



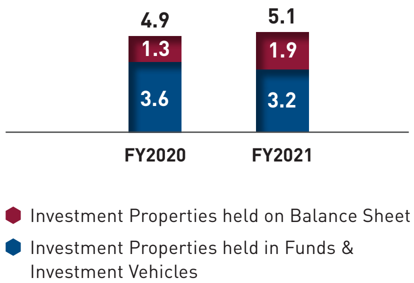
Work In Progress
Estimated Total Cost (US$ billion)



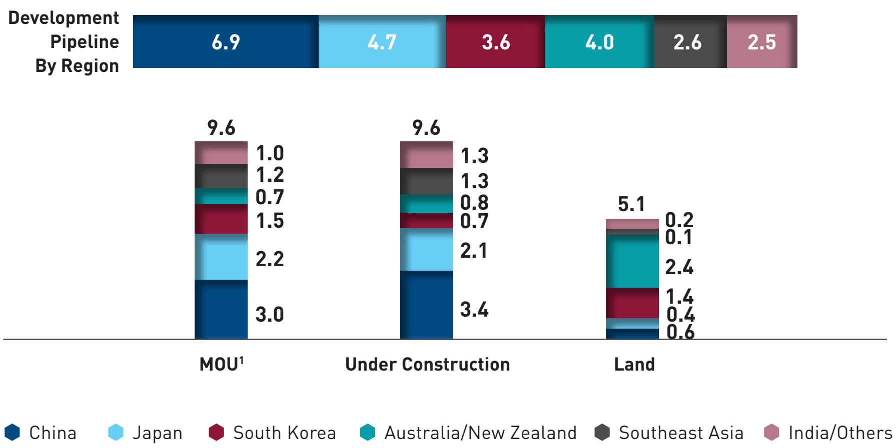
Development Completions
Completion Fair Value (US$ billion)



Land Bank
GFA (million sqm)



Development Pipleline
GFA (million sqm)



Note:

1 MOU as of December 2021.

FINANCIAL CONTENTS

ESR STANDALONE FY2021 FINANCIAL STATEMENT

PRO FORMA ESR GROUP

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 2021.

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 2021, 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 notes 1 and 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 39 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 ESR Group's Standalone FY2021 business are detailed in the sections headed "ESR Standalone FY2021 Operational Highlights" on pages 10 to 11, "ESR Standalone FY2021 Financial Review" on pages 16 to 19, "Message from Chairman" and "Message from CEOs" on pages 36 to 43, and an analysis using key financial performance indicators are set out in "ESR Standalone FY2021 Financial Highlights" on pages 8 to 9 of this annual report.

An analysis using key performance indicators of the Pro Forma ESR Group are set out in the "Operations Review" on pages 82 to 91 of this annual report.

RESULTS

The financial results of the Group for the year ended 31 December 2021 are set out in the Consolidated Financial Statements of the Group on pages 129 to 238 of this annual report.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group as at 31 December 2021 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 2021 (2020: nil).

DIVIDEND POLICY

The Board's long term objective is to deliver returns to shareholders that is sustainable and in line with the long-term growth of the Company. It is expected that the addition of ARA Group, with its perpetual/core capital and asset-light approach, will enhance ESR's earnings resilience and capacity to pay dividends. Subject to maintaining an optimal capital structure to ensure that adequate capital resources are available for business growth and investment opportunities, the Board will review the dividend policy in 2Q2022, including the merits and timing of future dividend payments.

DIRECTORS' REPORT

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 239 to 240 of this annual report. The summary does not form part of the audited Consolidated Financial Statements.

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 "ESG Performance" on pages 26 to 35 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 operates. During the year ended 31 December 2021, 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 639 employees spanning eight locations, namely the PRC, Japan, South Korea, Singapore, Hong Kong, Australia, India and Indonesia, as at 31 December 2021. The Group provided competitive remuneration package to its employees and encouraged training programs to improve their knowledge and skills, and promoted cross-market and cross-cultural cooperation to nurture their sense of belonging to the Group.

The 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 "ESG Performance" on pages 26 to 35 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year ended 31 December 2021, the five largest customers of the Group accounted for less than 30% of the Group's total revenue from sale of goods or rendering of services.

During the financial year ended 31 December 2021, the largest supplier and the five largest suppliers accounted for 11% and 33%, respectively 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 suppliers of the Group.

DISTRIBUTABLE RESERVES

Details of the movement in the reserves of the Company during the year ended 31 December 2021 are set out in note 42 to the Consolidated Financial Statements of this annual report.

As at 31 December 2021, the reserves available for distribution to Shareholders by the Company amounted to US$1,438,916,000 (2020: US$1,692,227,000).

DIRECTORS' REPORT

DIRECTORS

Directors of the Company during the year ended 31 December 2021 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	20 January 2016
Mr Wei HU	2 February 2021
Mr David Alasdair William MATHESON	30 March 2021
Mr Hwee Chiang LIM	20 January 2022
Mr Kwok Hung Justin CHIU	20 January 2022
Mr Rajeev Veeravalli KANNAN	20 January 2022
Mr Zhenhui WANG (resigned with effect from 15 January 2021)	10 May 2018
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 Zhenhui Wang resigned as Non-executive Director with effect from 15 January 2021. Mr Wei Hu and Mr David Alasdair William Matheson were appointed as Non-executive Directors with effect from 2 February 2021 and 30 March 2021 respectively. With effect from 20 January 2022, Mr Hwee Chiang Lim, Mr Kwok Hung Justin Chiu and Mr Rajeev Veeravalli Kannan, who were appointed as Non-executive Directors. Saved as aforesaid, 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 Leadership Team & Business Leadership Team" respectively on pages 52 to 53 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

Pursuant to the above-mentioned Articles, The Right Honourable Sir Hugo George William Swire, KCMG, Mr Brett Harold Krause, Mr Charles Alexander Portes, Mr David Alasdair William Matheson and Mr Robin Tom Holdsworth will retire from office by rotation at the forthcoming annual general meeting to be held on 1 June 2022 (the "**AGM**").

The Right Honourable Sir Hugo George William Swire, KCMG, Mr David Alasdair William Matheson and Mr Robin Tom Holdsworth have notified the Company that they wish to retire from the Board to pursue other opportunities and accordingly, they will not offer themselves for re-election at the AGM. The Right Honourable Sir Hugo George William Swire, KCMG, Mr David Alasdair William Matheson and Mr Robin Tom Holdsworth confirmed that they do not have any disagreement with the Board and there is no other matter in relation to their retirement that needs to be brought to the attention of the Shareholders.

Mr Charles Alexander Portes and Mr Brett Harold Krause, being eligible, have offered themselves for re-election at the AGM.

Pursuant to Article 112 of the Articles, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. As the appointment of Ms Serene Siew Noi Nah as a Director was made by the Board on 19 April 2022, she will hold office until the AGM and being eligible, she has offered herself for re-election at the AGM.

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

Save with regards to the acquisition of ARA Asset Management Limited and its subsidiaries, further details of which were set out in the announcements of Company dated 4 August 2021, 24 August 2021, 12 October 2021 and 3 November 2021 and the circular issued by the Company dated 18 October 2021, there was no transaction, arrangement or contract of significance entered into in the financial year ended 31 December 2021 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. Prior to the acquisition of ARA Asset Management Holdings Pte. Ltd. ("**ARA**") by the Company on 20 January 2022, Mr Jeffrey David Perlman, was a non-executive directors of ARA. Since then, ARA became the Company's wholly-owned subsidiary. 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.

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 2021, 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 to determine salary raises, bonuses and promotions. 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, Post-IPO Share Option Scheme and the Long Term Incentive 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, remuneration 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 2021 of the Company are set out as follows:

Mr David Alasdair William Matheson has left Oxford Properties and joined Starwood Capital Group in January 2022.

The Right Honourable Sir Hugo George William Swire, KCMG was appointed as a non-executive director of CBC Insurance Ltd in January 2022.

Ms Jingsheng Liu resigned duties from China International Capital Corporation Limited in December 2021.

Mr Hwee Chiang Lim, Dr Kwok Hung Justin Chiu and Mr Rajeev Veeravalli Kannan, who were appointed as non-executive directors of the Company with effect from 20 January 2022.

DIRECTORS' REPORT

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

As at 31 December 2021, 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)*	10.49%
Mr Stuart Gibson	Interest of controlled corporations *(Note 4)*	453,272,219 (L) *(Note 5)*	14.87%
	Interest of spouse	73,000 (L)	0.00%
		453,345,219 (L)	14.87%
Mr Charles Alexander Portes	Interest of controlled corporations *(Note 4)*	453,272,219 (L) *(Note 5)*	14.87%
Mr Robin Tom Holdsworth	Beneficial owner	8,000 (L)	0.00%
Ms Jingsheng Liu	Beneficial owner	69,200 (L)	0.00%

DIRECTORS' REPORT

Notes:

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

2. Laurels Capital Investments Limited directly holds the Shares of the Company and 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. directly holds 420,521,337 Shares of the Company and is owned as to 42% and 58% 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 directly holds the 32,750,882 Shares (note 5) of the Company is owned as to 50% and 50% by Mr Charles Alexander Portes and Mr Stuart Gibson, respectively. Hence each of Mr Charles Alexander Portes and Mr Stuart Gibson are deemed to be interested in Shares held by Redwood Consulting (Cayman) Limited.

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

Save as disclosed above, as at 31 December 2021, none of the Directors and chief executives of the Company has any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) (i) as recorded in the register required to be kept under section 352 of the SFO; or (ii) as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

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 and with regards to the acquisition of ARA Asset Management Limited and its subsidiaries as disclosed in the announcements of Company dated 4 August 2021, 24 August 2021, 12 October 2021 and 3 November 2021 and the circular issued by the Company dated 18 October 2021, at no time during the year ended 31 December 2021 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 2021, 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 / underlying Shares held *(Note 1)*	Approximate percentage of shareholdings
Warburg Pincus & Co.	Interest of controlled corporations *(Note 2)*	591,440,159 (L)	19.40%
Warburg Pincus China GP, L.P.	Interest of controlled corporations *(Note 2)*	591,440,159 (L)	19.40%
Warburg Pincus China, L.P.	Interest of controlled corporations *(Note 2)*	591,440,159 (L)	19.40%
Warburg Pincus Partners GP LLC	Interest of controlled corporations *(Note 2)*	591,440,159 (L)	19.40%
Warburg Pincus Partners II, L.P.	Interest of controlled corporations *(Note 2)*	591,440,159 (L)	19.40%
Warburg Pincus Private Equity XII, L.P.	Interest of controlled corporations *(Note 2)*	591,440,159 (L)	19.40%
Warburg Pincus XII, L.P.	Interest of controlled corporations *(Note 2)*	591,440,159 (L)	19.40%
WP Global LLC	Interest of controlled corporations *(Note 2)*	591,440,159 (L)	19.40%
Alexandrite Athena GroupCo Ltd	Interest of controlled corporations *(Note 2)*	591,440,159 (L)	19.40%
Alexandrite Gem Holdings Limited	Beneficial owner *(Note 2)*	503,733,252 (L)	16.52%
Alexandrite Gem TopCo Ltd	Interest of controlled corporations *(Note 2)*	503,733,252 (L)	16.52%
OMERS Administration Corporation	Beneficial owner	456,221,943 (L)	14.96%
Mr Stuart Gibson	Interest of controlled corporations *(Note 3)*	453,345,219 (L)	14.87%
Mr Charles Alexander Portes	Interest of controlled corporations *(Note 3)*	453,272,219 (L)	14.87%
Redwood Investor (Cayman) Limited	Interest of controlled corporations *(Note 3)*	420,521,337 (L)	13.79%
Kurmasana Holdings, LLC	Interest of controlled corporation *(Note3)*	420,521,337 (L)	13.79%
Redwood Investment Co., Limited	Beneficial owner *(Note 3)*	420,521,337 (L)	13.79%
Mr Jinchu Shen	Interest of controlled corporation *(Note 4)*	319,658,645 (L)	10.49%
Rosy Fortune Limited	Founder of a discretionary trust *(Note 4)*	319,658,645 (L)	10.49%
Tricor Equity Trustee Limited	Trustee *(Note 4)*	319,658,645 (L)	10.49%
Laurels Capital Investments Limited	Beneficial owner *(Note 4)*	319,658,645 (L)	10.49%
Mr Qiangdong Liu	Beneficiary of a trust (other than a discretionary interest) *(Note 5)*	213,821,461 (L)	7.01%
Max Smart Limited	Interest of controlled corporation *(Note 5)*	213,821,461 (L)	7.01%
JD.com, Inc.	Interest of controlled corporation *(Note 5)*	213,821,461 (L)	7.01%
Jingdong Technology Group Corporation	Interest of controlled corporation *(Note 5)*	213,821,461 (L)	7.01%
JD Property Holding Limited	Beneficial owner *(Note 5)*	213,821,461 (L)	7.01%
UBS Trustees (B.V.I.) Limited	Trustee *(Note 5)*	213,821,461 (L)	7.01%
Stichting Depositary APG Strategic Real Estate Pool	Depositary *(Note 6)*	211,057,897 (L)	6.92%
APG Asset Management N.V.	Investment Manager *(Note 6)*	211,057,897 (L)	6.92%
APG Groep N.V.	Investment Manager *(Note 6)*	211,057,897 (L)	6.92%
Stichting Pensioenfonds ABP	Investment Manager *(Note 6)*	211,057,897 (L)	6.92%
GIC Private Limited	Investment Manager	184,088,345 (L)	6.04%
The Capital Group Companies, Inc.	Interest of controlled corporations *(Note 7)*	175,918,953 (L)	5.77%
Lazard Asset Management LLC	Investment Manager	155,950,263 (L)	5.12%

DIRECTORS' REPORT

Notes:

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

2. On 4 August 2021 , Alexandrite Gem Holdings Limited ("Gem Holdings") entered into an agreement to acquire 491,796,865 consideration shares in ESR Cayman Limited and an interest in a further 11,971,387 VLN shares under a vendor loan note, and Athena Logistics Holdings Ltd. ("Logistics Holdings") to acquire 46,422,668 consideration shares in ESR Cayman Limited and an interest in a further 41,284,239 VLN shares under a vendor loan note, subject to the satisfaction of certain conditions. By reference to an announcement made by the Company on 12 October 2021, the parties agreed no VLN would be issued and additional Shares would be issued instead.

   Gem Holdings and Logistics Holdings are wholly owned subsidiary of Alexandrite Gem TopCo Ltd ("Gem TopCo") and Athena Logistics TopCo Ltd. ("Logistics TopCo") respectively. Both Gem TopCo and Logistics TopCo are wholly owned subsidiary of Alexandrite Athena GroupCo Ltd. ("Alexandrite Athena GroupCo"). Alexandrite Athena GroupCo is owned as to 41.46% and 35.19% by Warburg Pincus China, L.P. ("WP China") and Warburg Pincus Private Eqiuty XII, L.P. ("WPP Equity") respectively. WP China and WPP Equity are wholly owned subsidiary of Warburg Pincus China GP, L.P. ("WP China GP") and Warburg Pincus XII, L.P. ("WP XII") respectively. Both WP China GP and WP XII are wholly owned by WP Global LLC. The managing member of WP Global LLC is Warburg Pincus Partners II, L.P. ("WPP II"). The general partner of WPP II is Warburg Pincus Partners GP LLC ("WPP GP"), the managing member of which is Warburg Pincus & Co. Accordingly, each of Gem TopCo, Logistics TopCo, Alexandrite Athena GroupCo, WP China, WPP Equity, WP China GP, WP XII, WP Global LLC, WPP II, WPP GP and Warburg Pincus & Co. are deemed to be interested in the underlying Shares held by Gem Holdings and Logistics Holdings.

3. Redwood Investment Company, Ltd. directly holds 420,521,337 Shares of the Company and is owned as to 42% and 58% 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 directly holds the 32,750,882 Shares (Inclusive of the interest in 16,899,687 Shares underlying the share options pursuant to the Tier 1 ESOP.) of the Company is owned as to 50% and 50% by Mr Charles Alexander Portes and Mr Stuart Gibson, respectively. Hence each of Mr Charles Alexander Portes and Mr Stuart Gibson are deemed to be interested in Shares held by Redwood Consulting (Cayman) Limited. Mr Stuart Gibson is also deemed to be interest in 73,000 Shares held by his spouse

4. Laurels Capital Investments Limited directly holds the Shares of the Company and 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 2021, 319,658,645 Shares of the total issued shares of the Company (inclusive of the interest in 7,799,856 Shares underlying the share options pursuant to the Tier 1 ESOP) were held by Laurels Capital Investments Limited as the beneficial owner.

5. JD Property Holding Limited ("JD Property Holding", formerly known as JD Logistics Holding Limited) directly holds the Shares of the Company and is a wholly owned subsidiary of Jingdong Technology Group Corporation. Jingdong Technology Group Corporation is a wholly owned subsidiary of JD.com, Inc., a Cayman Islands company with its American depository shares listed on the Nasdaq Global Select Market. Max Smart Limited, a BVI company beneficially owned by Mr Qiangdong Liu (劉強東) through a trust, owned 13.5% of the total outstanding ordinary shares and 72.9% of the total outstanding voting power of JD.com, Inc. as of February 28, 2021. Therefore, each of Jingdong Technology Group Corporation, JD.com, Inc., Max Smart Limited and Mr Qiangdong Liu is deemed to have beneficial ownership over the Shares held by JD Property Holding. UBS Trustees (B.V.I.) Limited 100% controls UBS Nominees Limited, and Max Smart Limited is 100% directly held by UBS Nominees Limited. Therefore, each of UBS Trustees (B.V.I.) Limited and UBS Nominees Limited is deemed to have beneficial ownership over the shares held by Max Smart Limited.

6. 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.

7. 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 802,400 Shares, 4,413,000 Shares and 824,600 Shares respectively. Capital Group International, Inc. is a wholly owned subsidiary of Capital Research and Management Company, which in turn is a wholly owned subsidiary of The Capital Group Companies, Inc. Besides, Capital Research and Management Company was the beneficial owner of 169,878,953 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 2021, 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 and the Long Term Incentive Scheme" in this report, the Company did not enter into any equity-linked agreement for the year ended 31 December 2021, nor was there any equity-linked agreement entered into by the Company subsisting as at 31 December 2021.

DIRECTORS' REPORT

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

1. KM ESOP

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

(i) Purpose

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

(ii) Who may join

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

(iii) Classes of shares that may be issued

Under the KM ESOP, ordinary shares may be issued. For the year ended 31 December 2021, the Company has issued 2,662,626 ordinary shares under the KM ESOP. The shares were issued at nominal value of US$0.001.

(iv) Maximum number of shares

At 31 December 2021, the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the KM ESOP at any time shall not exceed 20,654,954 Shares (approximately 0.68% of the issued share capital of the Company as at 31 December 2021).

(v) Maximum entitlement of each participant

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

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

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

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

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

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

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

			Number of options			
Exercise price (USD)	**Grant date**	**Vesting Period**	**held at 1 January 2021**	**exercised during the Year**	**cancelled during the Year**	**held at 31 December 2021**
0.2520	February 2014	All vested	–	–	–	–
0.4722	December 2017	Varies from 3 to 4 years and all vested	100,020	–	–	100,020
0.9445	December 2017	4 years	8,455,886	(2,988,196)	(272,930)	5,194,760
0.9445	January 2018	4 years	10,735,111	(449,973)	–	10,285,138
1.1453	August 2018	4 years	873,103	–	–	873,103
0.4722	February 2019	3 years	150,000	(150,000)	–	–
0.9445	February 2019	3 years	103,080	(103,080)	–	–
1.3655	February 2019	4 years	948,494	–	–	948,494
1.5172	February 2019	4 years	3,018,312	(546,071)	(24,717)	2,447,524
0.9445	May 2019	Varies from 3 to 4 years and all vested	780,400	(600,631)	–	179,769
1.5172	May 2019	4 years	626,146	–	–	626,146
			25,790,552	(4,837,951)	(297,647)	20,654,954

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

Since all options holders opted for net share settlement method in lieu of paying in full the exercise price for the number of shares over which the option was exercised, only a net total of 2,662,626 ordinary shares were issued by the Company for the year ended 31 December 2021 in satisfaction of the 4,837,951 options so exercised. The shares issued at nominal value of US$0.001 were credited as fully paid.

2. Tier 1 ESOP

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

(i) Purpose

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

(ii) Selected participants

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

DIRECTORS' REPORT

(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 2021, 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 24,699,543 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.

DIRECTORS' REPORT

(xi) Lapse of an option

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS' REPORT

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

	Number of options		
Name of Participant	held at 1 January 2021	exercised/ cancelled during the Year	held at 31 December 2021
Executive Director			
Mr Jinchu Shen *(Notes a, c)*	7,799,856	–	7,799,856
Mr Charles Alexander Portes and Mr Stuart Gibson *(Note b, c)*	16,899,687	–	16,899,687
	24,699,543	–	24,699,543

Notes:

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

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

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

No further options will be issued under the Tier 1 ESOP in the future. No share options lapsed or were exercised or cancelled for the year ended 31 December 2021.

DIRECTORS' REPORT

3. **Post-IPO Share Option Scheme**

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

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

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

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

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

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

Ordinary shares

(iv) Maximum number of shares

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

(v) Maximum entitlement of a grantee

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

(vi) Performance target

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

(vii) Subscription price

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

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

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

(c) the nominal value of the Shares.

DIRECTORS' REPORT

(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 7 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	Closing price immediately preceding the date of grant	Vesting Period	Number of options: At 1 January 2021	Grant during the year	Exercised during the year	Cancelled/ lapsed during the year	At 31 December 2021
Management and employees								
28 December 2020	HK$27.30	HK$27.10	One third of the options granted (vested on 28 December 2021, with the remaining to vest on 28 December 2022 and 28 December 2023)	6,650,000	—	—	—	6,650,000
23 August 2021	HK$24.50	HK$23.80	One third of the options granted (vested on the date of grant, with the remaining to vest on 23 August 2022 and 23 August 2023 respectively in equal shares)	—	11,485,600	—	—	11,485,600
				6,650,000	11,485,600	—	—	18,135,600

4. Long Term Incentive Scheme

The following is a summary of the principal terms of the long term incentive scheme (the "**Long Term Incentive Scheme**") adopted and approved by our Shareholders at an annual general meeting held on 2 June 2021 (the "**Adoption Date**"). The terms of the Long Term Incentive Scheme are not subject to the provisions of Chapter 17 of the Listing Rules.

(i) Purpose

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

DIRECTORS' REPORT

(ii) Who may join

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

(iii) Administration

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

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

(iv) Term

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

(v) Grant of awards

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

(vi) Timing restrictions

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

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

DIRECTORS' REPORT

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

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

(a) notwithstanding paragraphs (vi-a) and (vi-b) above, no Award shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(b) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(vii) Grant to connected persons

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

(viii) Satisfaction of awards

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

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

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

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

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

DIRECTORS' REPORT

(ix) Rights attached to the shares

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

(x) Corporate events

x.i. In the event of:

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

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

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

DIRECTORS' REPORT

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

(xi) Maximum number of shares

The maximum number of shares in respect of which Awards may be granted under the Long Term Incentive Scheme (the "**Maximum Number**") when aggregated with the maximum number of Shares in respect of any share options to be granted under the Post-IPO Share Option Scheme is that number which is equal to 10% of the total number of Shares in issue on the Adoption Date *(i.e. up to total of 306,004,506 shares).*

(xii) Renewal of maximum number of shares

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

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

(xiii) Transfer restrictions

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

DIRECTORS' REPORT

(xiv) Lapse of awards

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

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

(b) the date on which the Grantee ceases to be a Participant on or after becoming bankrupt or insolvent or making any arrangements or composition with his creditors generally;

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

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

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

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

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

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

DIRECTORS' REPORT

(xv) Adjustments

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

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

(xvi) Alteration

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

(xvii) Cancellation

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

(xviii) Termination

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

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

No Awards have been granted since the Adoption Date and there are no outstanding Awards as at 31 December 2021.

(xix) Appointment of Trustee

The Company has appointed Computershare Hong Kong Trustees Limited as the trustee to assist with the administration of the Long Term Incentive Scheme. The role of the trustee is to, among other things, (i) purchase Shares as directed by the Company for the purpose of satisfying the Awards on vesting and (ii) hold the Shares in trust on behalf of the grantees until such time as the relevant Awards vest or lapse. Under the terms of the trust deed appointing the trustee, the trustee will not exercise the voting rights attached to the Shares held by it on trust and any dividend or other distributions received by the trustee on the Shares held by it on trust will form part of the trust fund.

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

DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Repurchase

During the financial year ended 31 December 2021, the Company had repurchased, under the Repurchase Mandate, a total of 13,873,800 shares of the Company (the "**Shares**") on market ranging from HK$22.2 to HK$24.5 per share, representing approximately 0.46% of the issued Shares as at 31 December 2021 for a consideration of US$42.0 million (approximately HK$326.6 million, excluding transaction cost). The repurchased Shares have been cancelled. Details of Shares repurchased are as follows:

Month	Number of shares repurchased	Purchase price per share Highest HK$	Purchase price per share Lowest HK$	Aggregate consideration HK$ million
August 2021	6,105,000	24.50	23.55	146.1
September 2021	4,290,400	24.00	22.95	101.1
October 2021	3,478,400	23.50	22.20	79.4
	13,873,800			326.6

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

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

ORDINARY SHARES ISSUED

During the year ended 31 December 2021, a total of 2,662,626 ordinary shares were issued by the Company in satisfaction of the 4,837,951 options exercised, since all options holders opted for net share settlement method in lieu of paying in full the exercise price for the number of shares over which the option was exercised. The shares issued at nominal value of US$0.001 each were credited as fully paid.

Details of the movements in the share capital of the Company and the shares issued during the reporting year are disclosed in note 39 to the Consolidated Financial Statements.

PERPETUAL CAPITAL SECURITIES ISSUED

The Group has historically financed its expansion through various instruments including fixed rate notes. In March and June 2021, the Group issued S$200 million (approximately US$148.6 million) and S$150 million (approximately US$111.6 million) perpetual resettable step-up subordinated securities at a distribution rate of 5.65% respectively, bringing the aggregate total amount to S$350 million (approximately US$260.2 million) under its US$2.0 billion Multicurrency Debt Issuance Programme, which was listed on the Singapore Exchange Securities Trading Limited.

DIRECTORS' REPORT

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 ordinary shares of the Company at the conversion price of HK$32.13 per share (subject to adjustment) and assuming full conversion of the Bonds, the Bonds will be converted into 84,427,015 shares, representing approximately 2.77% of the then issued share capital of the Company and approximately 2.69% of the then issued share capital of the Company as enlarged by the issue of such conversion shares (assuming that there is no other change to the issued share capital of the Company). The Bonds are listed and traded on the Singapore Exchange Securities Trading Limited.

The net proceeds from the Bond Issue, after deducting fees, commission and expenses payable in connection with the Bond Issue, was approximately US$345.0 million, which the Company is using for refinancing of existing borrowings, financing of potential acquisition and investment opportunities as well as the working capital requirements and the general corporate purposes of the Group. Based on the net proceeds and assuming the full conversion of the Bonds, the net price per share is approximately HK$31.67. As of 31 December 2021, the net proceeds have been fully utilised for the purposes as disclosed in the Company's announcement dated 10 September 2020.

The Directors believe that the Bond Issue will bring about a diversification of funding sources and expansion of investor base. This is the first convertible bond issue for the Company, and is in line with its capital management strategy. For the year ended 31 December 2021, there is no conversion of the Bonds into ordinary shares of the Company. Details of the convertible bonds balance as of 31 December 2021 is disclosed in note 30 to the Consolidated Financial Statements.

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)

Saved as disclosed in the announcements of Company dated 4 August 2021, 24 August 2021, 12 October 2021 and 3 November 2021 and the circular issued by the Company dated 18 October 2021 with regards to the acquisition of ARA Asset Management Limited and its subsidiaries, which constituted a connected transaction of the Company subject to the reporting, announcement, Circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, 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 2021.

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 38 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 2021 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, or 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 2021 amounted to US$130,000 (2020: US$144,000).

IMPORTANT EVENT AFTER THE REPORTING PERIOD

Save for the information disclosed in note 46 to the Consolidated Financial Statements, there was no important event after the year ended 31 December 2021 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 2021.

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 2021 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 page 67.

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 2021.

The Consolidated Financial Statements for the year ended 31 December 2021 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, 24 March 2022

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 129 to 238, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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$542,636,000 and the trust management rights intangible asset with indefinite useful life of US$74,095,000, 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 2021 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 45 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 Lok Man Ho.

Ernst & Young
Certified Public Accountants
Hong Kong
24 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	2021 US$'000	2020 US$'000
Revenue	4, 5	404,426	388,331
Cost of sales		(53,967)	(103,402)
Gross profit		350,459	284,929
Other income and gains, net	5	375,701	369,783
Administrative expenses		(241,825)	(201,680)
Finance costs	7	(163,549)	(147,414)
Share of profits and losses of joint ventures and associates, net		168,054	105,086
Profit before tax	6	488,840	410,704
Income tax expense	10	(106,164)	(95,997)
Profit for the year		382,676	314,707
Attributable to:			
Owners of the Company		349,440	286,466
Non-controlling interests		33,236	28,241
		382,676	314,707
Earnings per share attributable to ordinary equity holders of the company			
Basic			
For profit for the year	12	US$0.11	US$0.09
Diluted			
For profit for the year	12	US$0.11	US$0.09
Profit for the year		382,676	314,707
Other comprehensive (loss)/income			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(50,851)	175,451
Share of other comprehensive (loss)/income of joint ventures and associates		(31,044)	68,806
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		(81,895)	244,257
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of financial assets at fair value through other comprehensive income		45,674	84,129
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		45,674	84,129
Other comprehensive (loss)/income for the year, net of tax		(36,221)	328,386
Total comprehensive income for the year		346,455	643,093
Attributable to:			
Owners of the Company		307,227	602,960
Non-controlling interests		39,228	40,133
		346,455	643,093

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 US$'000	2020 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	33,937	31,916
Right-of-use assets	14	8,940	12,475
Investments in joint ventures and associates	15	1,331,017	1,082,290
Financial assets at fair value through profit or loss	16	709,622	678,864
Financial assets at fair value through other comprehensive income	17	779,436	878,300
Investment properties	18	3,704,243	2,663,717
Goodwill	19	542,636	340,243
Other intangible assets	20	101,694	86,663
Other non-current assets	21	90,867	62,555
Deferred tax assets	28	114,956	24,261
Total non-current assets		7,417,348	5,861,284
CURRENT ASSETS			
Trade receivables	22	125,968	94,673
Prepayments, other receivables and other assets	23	156,074	209,322
Cash and bank balances	24	1,638,228	1,515,430
		1,920,270	1,819,425
Assets classified as held for sale		–	6,732
Total current assets		1,920,270	1,826,157
CURRENT LIABILITIES			
Bank and other borrowings	25	1,312,883	733,660
Lease liabilities	26	3,488	6,568
Trade payables, accruals and other payables	27	235,922	226,314
Income tax payable		29,550	19,120
Total current liabilities		1,581,843	985,662
NET CURRENT ASSETS		338,427	840,495
TOTAL ASSETS LESS CURRENT LIABILITIES		7,755,775	6,701,779

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 US$'000	2020 US$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	28	355,212	280,973
Bank and other borrowings	25	2,935,012	2,561,618
Lease liabilities	26	5,601	6,825
Other non-current liabilities		45,915	47,158
Total non-current liabilities		3,341,740	2,896,574
NET ASSETS		4,414,035	3,805,205
EQUITY			
Equity attributable to owners of the Company			
Issued capital	39	3,049	3,060
Perpetual capital securities	41	261,147	–
Equity components of convertible bonds	30	48,501	48,501
Other reserves	42	3,846,161	3,544,648
		4,158,858	3,596,209
Non-controlling interests	31	255,177	208,996
Total equity		4,414,035	3,805,205

Mr Jeffrey David Perlman
Director

Mr Jinchu Shen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company													
	Issued capital (note 39) US$'000	Share premium* (note 39) US$'000	Statutory reserve* (note 42) US$'000	Merger reserve* (note 42) US$'000	Share option reserve* (note 40) US$'000	Exchange fluctuation reserve* (note 42) US$'000	Retained profits* (note 42) US$'000	Investment reserve (non-recycling)* (note 42) US$'000	Equity components of convertible bonds (note 30) US$'000	Perpetual capital securities (note 41) US$'000	Other reserve* (note 42) US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
As at 1 January 2021	3,060	2,064,135	2,735	56,358	18,511	108,443	1,131,490	133,758	48,501	–	29,218	3,596,209	208,996	3,805,205
Profit for the year	–	–	–	–	–	–	349,440	–	–	–	–	349,440	33,236	382,676
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	–	44,990	–	–	–	44,990	684	45,674
Exchange differences on translation of foreign operations	–	–	–	–	–	(56,159)	–	–	–	–	–	(56,159)	5,308	(50,851)
Share of other comprehensive loss of joint ventures and associates	–	–	–	–	–	(31,044)	–	–	–	–	–	(31,044)	–	(31,044)
Total comprehensive income for the year	–	–	–	–	–	(87,203)	349,440	44,990	–	–	–	307,227	39,228	346,455
Transferred from retained profits	–	–	1,567	–	–	–	(1,567)	–	–	–	–	–	–	–
Disposal of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	51,474	(51,474)	–	–	–	–	–	–
Profit attributable to holders of perpetual capital securities (note 41)	–	–	–	–	–	–	(10,664)	–	–	10,664	–	–	–	–
Issuance of perpetual capital securities, net of issue costs (note 41)	–	–	–	–	–	–	–	–	–	256,318	–	256,318	–	256,318
Distribution paid to holders of perpetual capital securities (note 41)	–	–	–	–	–	–	–	–	–	(5,835)	–	(5,835)	–	(5,835)
Transfer of interest to non-controlling interests without change of control	–	–	–	–	–	–	35,295	–	–	–	–	35,295	31,029	66,324
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(89)	(89)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	33,068	33,068
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(744)	(744)
Dividend distributions to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(56,311)	(56,311)
Share repurchased and cancellation	(14)	(42,068)	–	–	–	–	–	–	–	–	–	(42,082)	–	(42,082)
Issue of shares upon exercise of share options	3	121	–	–	(3,216)	–	–	–	–	–	–	(3,092)	–	(3,092)
Transfer of share option reserve upon the forfeiture of share options	–	–	–	–	(214)	–	214	–	–	–	–	–	–	–
Equity-settled share option arrangement (note 40)	–	–	–	–	14,818	–	–	–	–	–	–	14,818	–	14,818
As at 31 December 2021	3,049	2,022,188	4,302	56,358	29,899	21,240	1,555,682	127,274	48,501	261,147	29,218	4,158,858	255,177	4,414,035

* These reserve accounts comprise the consolidated reserves of US$3,846,161,000 in the consolidated statement of financial position as at 31 December 2021 (2020: US$3,544,648,000).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company													
	Issued capital (note 39) US$'000	Share premium* (note 39) US$'000	Statutory reserve* (note 42) US$'000	Merger reserve* (note 42) US$'000	Share option reserve* (note 40) US$'000	Exchange fluctuation reserve* (note 42) US$'000	Retained profits* (note 42) US$'000	Investment reserve (non-recycling)* (note 42) US$'000	Equity components of convertible bonds (note 30) US$'000	Perpetual capital securities (note 41) US$'000	Other reserve* (note 42) 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 41)	–	–	–	–	–	–	(4,125)	–	–	4,125	–	–	–	–
Distribution paid to holders of perpetual capital securities (note 41)	–	–	–	–	–	–	–	–	–	(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 41)	–	–	–	–	–	–	(1,221)	–	–	(97,379)	–	(98,600)	–	(98,600)
Issue of convertible bonds (note 30)	–	–	–	–	–	–	–	–	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 40)	–	–	–	–	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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 US$'000	2020 US$'000
Cash flows from operating activities			
Profit before tax		488,840	410,704
Adjustments for:			
Amortisation of other intangible assets	6	6,892	7,635
Changes in carrying value of financial assets and financial liabilities at fair value through profit or loss	5	(14,182)	(50,963)
Depreciation of property, plant and equipment	6	3,706	3,275
Depreciation of right-of-use assets	6	6,539	6,231
Dilution of interests in investment in a joint venture and financial assets at fair value through profit or loss	5	–	2,718
Dividend income	5	(62,464)	(56,453)
Equity-settled share option expense	6	14,818	14,082
Fair value gains on completed investment properties	5	(95,825)	(53,717)
Fair value gains on investment properties under construction	5	(178,659)	(170,963)
Finance costs	7	163,549	147,414
Gain on disposal of asset held for sale	5	(2,885)	–
Gain on disposal of interests in joint ventures and associates	5	(11,389)	–
Gain on disposal of interests in financial assets at fair value through profit or loss	5	(1,074)	–
Gain on disposal of investment properties	5	–	(16,848)
Gain on disposal of other assets	5	–	(12,347)
Gain on disposal of subsidiaries	5	(420)	(4,675)
Interest income	5	(5,328)	(4,082)
Loss on disposal of items of property, plant and equipment	6	1	75
Share of profits and losses of joint ventures and associates, net		(168,054)	(105,086)
		144,065	117,000
Increase in trade receivables		(36,765)	(9,554)
(Increase)/Decrease in prepayments, other receivables and other assets		(44,702)	6,900
Increase/(Decrease) in trade payables, accruals and other payables		37,704	(9,259)
Cash flows generated from operations		100,302	105,087
Income tax paid		(25,153)	(19,278)
Net cash flows generated from operating activities		75,149	85,809

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 US$'000	2020 US$'000
Cash flows from investing activities			
Acquisition of subsidiaries	32	(487,590)	(48,558)
Additions of investment properties		(818,580)	(311,391)
Additions of other intangible assets	20	(417)	(210)
Additions of property, plant and equipment		(8,261)	(2,568)
Disposal of financial assets at fair value through other comprehensive income		206,873	–
Disposal of investment properties		–	364,028
Disposal of property, plant and equipment		9	434
Disposal of subsidiaries	34	(27,569)	136,524
Dividend income from financial assets designated at fair value through other comprehensive income		18,446	15,850
Dividend income from financial assets at fair value through profits or loss		40,026	34,898
Distribution from financial assets at fair value through profits or loss		71,448	71,748
Distribution from joint ventures and associates		181,427	54,608
Increase in non-pledged fixed time deposits with a maturity period over three months		–	(2,312)
Interest received		4,900	3,680
Investment in joint ventures and associates		(387,642)	(215,809)
Investment in financial assets at fair value through profit or loss		(113,243)	(129,833)
Investment in financial assets designated at fair value through other comprehensive income		(57,400)	(224,555)
Investment in other investments		(10,545)	(3,491)
Loan to directors of the Company		–	(9,200)
Prepayments for acquiring land use rights		(5,007)	(10,360)
Proceeds from sale of financial assets at fair value through profit or loss		22,817	11,263
Proceeds from sale of interests in joint ventures and associates		88,504	84,619
Proceeds from other financial instruments		–	1,494
Proceeds from disposal of asset held for sale		9,628	–
Proceeds from disposal of other assets		–	20,540
Release of non-pledged fixed time deposits with a maturity period over three months		2,312	881
Repayment from/(Advances to) related parties		9,084	(100,371)
Repayment from a joint venture, subsidiary disposed of, and financial assets at fair value through profits or loss	34	102,073	109,935
Net cash flows used in investing activities		(1,158,707)	(148,156)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 US$'000	2020 US$'000
Cash flows from financing activities			
Acquisition of non-controlling interests		(744)	–
Capital contribution from non-controlling interests		33,068	3,103
Distribution paid to holders of perpetual capital securities		(5,835)	(4,125)
Dividend distributions to non-controlling interests		(56,311)	(29,482)
Increase in restricted cash		(30,298)	(38,403)
Increase in pledged bank deposits for bank loans		(2,536)	(3,809)
Interest of bank and other borrowings paid	29	(166,623)	(147,145)
Principal portion of lease payments	29	(7,450)	(6,834)
Proceeds from bank and other borrowings	29	1,944,651	992,998
Proceeds from exercise of employees share options		–	1,158
Proceeds from issuance of convertible bonds, net of transaction costs		–	345,041
Proceeds from issuance of perpetual capital securities, net of transaction costs	41	256,318	–
Redemption of perpetual capital securities, net		–	(98,600)
Repayments of bank and other borrowings	29	(753,032)	(399,681)
Release of restricted cash		21,189	–
Share repurchased		(42,082)	(894)
Transfer of interest to non-controlling interests without change of control		66,324	–
Net cash generated from financing activities		1,256,639	613,327
Net increase in cash and cash equivalents		173,081	550,980
Cash and cash equivalents at beginning of year		1,404,068	826,682
Effect of foreign exchange rate changes, net		(59,616)	26,406
Cash and cash equivalents at end of year		1,517,533	1,404,068
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		1,638,228	1,515,430
Non-pledged fixed time deposits with a maturity period over three months	24	–	(2,312)
Pledged bank deposits	24	(52,145)	(49,609)
Restricted bank balances	24	(68,550)	(59,441)
Cash and cash equivalents as stated in the consolidated statement of cash flows		1,517,533	1,404,068

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

1. CORPORATE INFORMATION

ESR Cayman Limited (the "**Company**") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on 14 June 2011. The address of the registered office 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 2021, the Company had direct and indirect interests in its principal subsidiaries, the particulars of which are set out below:

Name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai e-Shang Warehousing Services Co., Ltd.	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$238,876,136	–	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	JPY6,015,350,000	–	70%	Warehousing business

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

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	RMB687,142,857	–	70%	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 21 August 2013	A$102,627,759	–	95.2%	Investment holding
ESR Asset Management (Holdings) Limited	Australia 3 May 2000	A$91,370,012	–	95.2%	Investment and management
ESR Sachiura 3 TMK	Japan 11 January 2019	JPY5,894,700,000	–	100%	Asset holding
ESR Sachiura 4 TMK	Japan 11 January 2019	JPY6,490,800,000	–	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	–	95.2%	Investment holding discretionary trust
ESR India Investment Holdings Pte. Ltd.	Singapore 8 September 2017	S$1	–	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

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	Percentage of equity attributable to the Company Indirect	Principal activities
Kendall Square REIT Management, Inc.	South Korea 28 May 2020	KRW8,000,000,000	–	100%	Investment and management
Daisy Offshore Holdings (BVI) Limited	BVI 29 May 2019	US$1	100%	–	Investment and management
Suzhou Yihao Warehouse Services Co., Ltd.	China 23 November 2018	US$50,000,000	–	100%	Warehousing business
Chengdu Yijing Supply Chain Management Services Co., Ltd	China 22 May 2020	US$66,000,000	–	51%	Warehousing business
ESR Landmark Pty Ltd	Australia 26 March 2021	A$492,965,316	–	95.2%	Investment holding
ESR Co-Invest Trust	Australia 29 June 2018	A$263,073,421	–	95.2%	Investment holding
Skye TMK	Japan 27 November 2020	JPY5,962,900,000	–	100%	Warehousing business
Prime Zone Limited	Hong Kong 25 March 2009	HK$1	–	100%	Warehousing business

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. The subsidiaries incorporated in China are registered as wholly foreign-owned enterprises under PRC Law, except for Shanghai Yurun Meat Food Co., Ltd and Chengdu Yijing Supply Chain Management Services Co., Ltd which are non-wholly foreign-owned enterprises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

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 2021. 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

31 December 2021

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*COVID-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

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

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

The Group had certain interest-bearing bank and other borrowings denominated in foreign currencies based on the London Interbank Offered Rate ("**LIBOR**"), the Tokyo Interbank Offered Rate, the Hong Kong Interbank Offered Rate, and the Loan Prime Rate as at 31 December 2021. For the LIBOR-based borrowings, since the interest rates of these borrowings were not replaced by RFRs during the year, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these borrowings when instruments provided that the "**economically equivalent**" criterion is met.

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

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received COVID-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

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*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2,5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2,4]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRSs 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to IAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

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

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 June 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) 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 resulting from a downstream transaction 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 (2011) was removed by the IASB in January 2016 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.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* 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 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. 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. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. 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

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2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

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.

Annual Improvements to IFRSs 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 2021

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 2021

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, financial assets and liabilities at fair value through other comprehensive income and financial assets and liabilities at fair value through profit or loss at 31 December 2021 and 2020. 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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 2021 and 2020.

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. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at 31 December 2021 and 2020 as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

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	3 – 5 years	10%
Machinery	20 years	0%
Leasehold improvements	1 – 9 years	0%
Others	2 – 15 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 2021

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

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	7-10 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 2021

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets measured at amortised cost (continued)

The Group's financial assets at amortised cost includes trade receivables, and financial assets included in prepayments, other receivables and other assets.

Financial assets designated at fair value through OCI (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled in profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

The Group elected to classify irrevocably its equity investments under this category.

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 2021

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 2021

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 2021

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

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.

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 2021

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 2021 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 2021, 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 2021 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 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at 31 December 2021 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 2021 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 2021

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 recognised 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 2021

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 2021 and 2020 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 2021

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.

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 2021. 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than US dollars. As at 31 December 2021, the assets and liabilities of these entities were translated into the presentation currency of the Company at the exchange rates prevailing at 31 December 2021 and their statements of profit or loss are translated into US dollars at the exchange rates that approximate to those prevailing at the dates of the transactions.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Judgement (continued)

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 2021 and 2020, 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$41,132,000 as at 31 December 2021 (2020: US$20,671,000), 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 2021, deferred tax liabilities amounting to US$305,696,000 (2020: US$246,799,000) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at 31 December 2021, 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 2021 was US$542,636,000 (2020: 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.

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 notes 22 and 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 notes 18 and 45 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Estimation uncertainty (continued)

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.

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 2021. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

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

31 December 2021

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. OPERATING SEGMENT INFORMATION (continued)

	Year ended 31 December 2020			
	Investment US$'000	Fund management US$'000	Development US$'000	Total US$'000
Segment revenue	106,893	189,278	92,160	388,331
– Intersegment sales	–	288	–	288
	106,893	189,566	92,160	388,619
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 carrying value of financial assets and liabilities at fair value through profit or loss	5,639	–	45,324	50,963
Share of profits and losses of joint ventures and associates, net	40,041	–	65,045	105,086
Gain/(loss) on disposal of subsidiaries	(724)	–	5,399	4,675
Dilution of interests in investment in a joint venture and financial assets at fair value through profit or loss	(398)	–	(2,320)	(2,718)
Gain/(loss) on disposal of investment properties	(2,533)	–	19,381	16,848
Gain on disposal of other assets	–	–	12,347	12,347
Dividend income	56,453	–	–	56,453
Segment result	225,938	147,598	289,178	662,714
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 associates				1,082,290

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

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

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

(b) Non-current assets

	2021 US$'000	2020 US$'000
China	3,539,089	2,689,699
Japan	826,514	709,965
South Korea	410,256	406,779
Singapore	127,877	126,478
Australia	770,192	289,626
India	88,708	57,301
Indonesia	50,698	11
	5,813,334	4,279,859

The non-current asset information of continuing operations above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

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

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:

	2021 US$'000	2020 US$'000
Rental income from investment property operating leases (note (i))	110,508	101,402
Management fee	244,042	189,278
Construction income	43,815	92,160
Solar energy income	6,061	5,491
Total	404,426	388,331

Timing of revenue recognition

	2021 US$'000	2020 US$'000
Rental income from investment property operating leases	110,508	101,402
Point in time		
Management fee	69,286	54,024
Over time		
Management fee	174,756	135,254
Construction income	43,815	92,160
Solar energy income	6,061	5,491
	404,426	388,331

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

31 December 2021

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 2021 and 2020 are as follows:

	2021 US$'000	2020 US$'000
Within one year	–	44,254

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	2021 US$'000	2020 US$'000
Changes in carrying value of financial assets and liabilities at fair value through profit or loss		14,182	50,963
Dilution of interests in investment in a joint venture and financial assets at fair value through profit or loss		–	(2,718)
Dividend income		62,464	56,453
Exchange gain		1,587	–
Fair value gains on completed investment properties	18	95,825	53,717
Fair value gains on investment properties under construction	18	178,659	170,963
Gain on disposal of asset held for sale		2,885	–
Gain on disposal of interests in joint ventures and associates		11,389	–
Gain on disposal of interests in financial assets at fair value through profit or loss		1,074	–
Gain on disposal of investment properties		–	16,848
Gain on disposal of other assets		–	12,347
Gain on disposal of subsidiaries	34	420	4,675
Interest income		5,328	4,082
Others		1,888	2,453
		375,701	369,783

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

6. PROFIT BEFORE TAX

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

(a) Employee benefit expense

	2021 US$'000	2020 US$'000
Wages and salaries (including directors' and chief executive's remuneration)	110,898	98,832
Equity-settled share option expense (note 40)	14,818	14,082
Pension scheme contributions	7,052	5,442
	132,768	118,356

(b) Other items

	Notes	2021 US$'000	2020 US$'000
Amortisation of other intangible assets	20	6,892	7,635
Auditor's remuneration:			
– Audit services		3,289	2,426
– Non-audit services		574	1,044
Construction cost*		43,830	91,674
Depreciation of property, plant and equipment	13	3,706	3,275
Depreciation of right-of-use assets	14	6,539	6,231
Entertainment fee		2,429	2,339
Exchange losses		–	5,425
Loss on disposal of items of property, plant and equipment		1	75
Other tax expenses		14,291	12,017
Professional service fee		51,961	22,365

* The construction costs for the years ended 31 December 2021 and 2020 are included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7. FINANCE COSTS

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

Note:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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:

	2021 US$'000	2020 US$'000
Directors' fees	5,066	5,770
Other emoluments:		
Salaries, allowances and benefits in kind	2,700	2,700
Equity-settled share option expense (note (i))	143	5,408
	2,843	8,108
	7,909	13,878

Note:

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

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 40 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

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

	2021 US$'000	2020 US$'000
Mr Brett Harold Krause	123	77
Mr Robin Tom Holdsworth	100	65
The Right Honourable Sir Hugo George William Swire, KCMG	118	78
Mr Simon James McDonald	125	85
Ms Jingsheng Liu (劉京生)	100	65
	566	370

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

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8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors and non-executive directors

2021

	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
	3,600	2,700	–	6,300
Entities associated with the executive directors:				
Entity associated with Mr Jinchu Shen	–	–	27	27
Redwood Consulting	–	–	58	58
	–	–	85	85
Non-executive directors:				
Mr Jeffrey David Perlman	–	–	–	–
Mr Charles Alexander Portes (note (i))	900	–	–	900
Mr Zhenhui Wang (王振輝) (note (ii))	–	–	–	–
Mr Wei Hu (胡偉) (note (iii))	–	–	–	–
Mr David Alasdair William Matheson (note (iv))	–	–	–	–
	900	–	–	900
Entities associated with a non-executive director:				
Redwood Consulting	–	–	58	58
	4,500	2,700	143	7,343

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

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

(iii) Mr Wei Hu was appointed on 2 February 2021.

(iv) Mr David Alasdair William Matheson was appointed on 30 March 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

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

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	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)	–	–	–	–
Mr Joseph Raymond Gagnon (note (i))	–	–	–	–
Mr Ho Jeong Lee (note (ii))	–	–	–	–
	–	–	–	–
	5,400	2,700	5,408	13,508

Notes:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2020: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2020: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 US$'000	2020 US$'000
Salaries, allowances and benefits-in-kind	3,977	2,378
Equity-settled share option expense	3,077	437
Pension scheme contributions	30	46
	7,084	2,861

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

	Number of employees	
	2021	2020
HK$9,500,001 to HK$10,000,000	–	1
HK$11,000,001 to HK$11,500,000	1	–
HK$15,500,001 to HK$16,000,000	1	1
HK$29,000,001 to HK$29,500,000	1	–
	3	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 40 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

10. INCOME TAX EXPENSE

	2021 US$'000	2020 US$'000
Current tax	45,789	32,978
Deferred tax (note 28)	60,375	63,019
	106,164	95,997

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Law and is exempted from the payment of Cayman Islands income tax.

During the year, Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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% (2020: 25%).

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

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:

	2021 US$'000	2020 US$'000
Profit before tax	488,840	410,704
Tax at the statutory tax rates	118,501	104,524
Profits attributable to joint ventures and associates	(26,597)	(16,423)
Income not subject to tax	(21,058)	(11,278)
Non-deductible expenses	4,523	4,448
Effect of withholding tax	24,392	9,891
Unrecognised deductible temporary differences	62	95
Adjustment of current tax of previous periods	2,364	1,275
Utilisation of tax losses not recognised in previous periods	(382)	(27)
Tax losses not recognised	4,368	3,659
Previous period tax losses recognised in current period	(20)	–
Others	11	(167)
Tax charge	106,164	95,997

During the year, the share of tax attributable to joint ventures and associates of US$26,597,000 (2020: US$16,423,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

11. DIVIDENDS

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

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 3,056,456,000 (2020: 3,046,966,000) 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:

	2021 US$'000	2020 US$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	349,440	286,466

	2021 '000	2020 '000
Number of shares:		
Weighted average number of ordinary shares in issue, used in the basic earnings per share calculation	3,056,456	3,046,966
Effect of dilution — weighted average number of ordinary shares:		
Share options	37,586	43,905
	3,094,042	3,090,871

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 2021 and were ignored in the calculation of diluted earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 2021					
At 1 January 2021:					
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
At 1 January 2021, net of accumulated depreciation	43	26,835	1,799	3,239	31,916
Additions	196	5,936	736	1,393	8,261
Acquisition of subsidiaries	–	–	331	79	410
Disposals	–	–	–	(10)	(10)
Depreciation provided during the year	(39)	(1,684)	(581)	(1,402)	(3,706)
Exchange realignment	1	(2,697)	(118)	(120)	(2,934)
At 31 December 2021, net of accumulated depreciation	201	28,390	2,167	3,179	33,937
At 31 December 2021:					
Cost	520	33,330	4,400	9,578	47,828
Accumulated depreciation	(319)	(4,940)	(2,233)	(6,399)	(13,891)
Net carrying amount	201	28,390	2,167	3,179	33,937

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	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

At 31 December 2021, certain of the Group's property, plant and equipment with a carrying amount of US$28,390,000 (2020: US$26,835,000) were pledged to secure certain bank and other borrowings of the Group as disclosed in note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

14. RIGHT-OF-USE ASSETS

	Office premises US$'000	Equipment US$'000	Total US$'000
31 December 2021			
At 1 January 2021:			
Cost	23,049	3,498	26,547
Accumulated depreciation	(13,553)	(519)	(14,072)
Net carrying amount	9,496	2,979	12,475
At 1 January 2021, net of accumulated depreciation	9,496	2,979	12,475
Additions	3,482	376	3,858
Depreciation provided during the year	(6,360)	(179)	(6,539)
Disposal	(250)	–	(250)
Exchange realignment	(302)	(302)	(604)
At 31 December 2021, net of accumulated depreciation	6,066	2,874	8,940
At 31 December 2021:			
Cost	25,552	3,517	29,069
Accumulated depreciation	(19,486)	(643)	(20,129)
Net carrying amount	6,066	2,874	8,940
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

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15. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	As at 31 December 2021 US$'000	As at 31 December 2020 US$'000
Share of net assets from joint ventures	878,187	942,680
Share of net assets from associates	313,076	86,754
Goodwill on retaining interests in joint ventures	2	2
	1,191,265	1,029,436
Shareholder's loan to a joint venture	139,752	52,854
	1,331,017	1,082,290

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

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

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

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

Investments in joint ventures and associates with a carrying amount of nil (2020: US$115,899,000) were pledged to secure certain bank and other borrowings of the Group (note 25).

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15. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following table illustrates the summarised financial information in respect of material joint ventures and associates 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	EMP US$'000
31 December 2021					
Cash and bank balances	147,020	217,355	52,429	11,174	26,721
Other current assets	40,324	833	17,805	4,466	9,254
Current assets	187,344	218,188	70,234	15,640	35,975
Non-current assets	1,963,596	1,951,295	429,744	1,025,203	2,667,036
Financial liabilities, excluding trade and other payables	–	–	(1,768)	(238)	–
Other current liabilities	(112,595)	(7,612)	(22,565)	(37,100)	(26,102)
Current liabilities	(112,595)	(7,612)	(24,333)	(37,338)	(26,102)
Non-current financial liabilities, excluding trade and other payables	(629,011)	(277,200)	(98,173)	(514,788)	(1,632,840)
Other non-current liabilities	(219,487)	(198,828)	(16,729)	–	–
Non-current liabilities	(848,498)	(476,028)	(114,902)	(514,788)	(1,632,840)
Net assets	1,189,847	1,685,843	360,743	488,717	1,044,069
Proportion of the Group's ownership	25.6455%	20%	51%	10%	20%
Carrying amount of the investment	289,847	336,816	181,699	48,872	208,814
Revenue	89,007	40,374	2,982	57,221	71,379
Interest income	346	6,056	–	1,145	123
Interest expenses	(29,355)	(8,133)	(1,343)	(6,655)	(11,991)
Tax	(12,919)	(84,196)	(11,290)	–	–
Profit for the year	17,854	442,506	31,864	161,959	107,998
Total comprehensive income for the year	19,016	321,977	31,234	162,728	111,420

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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15. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

	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	25.6455%	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

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

	2021 US$'000	2020 US$'000
Share of the joint ventures and associates' profit for the year	22,417	18,655
Share of the joint ventures and associates' total comprehensive income for the year	20,266	40,292
Aggregate carrying amount of the Group's investments in the joint ventures and associates	264,969	223,277

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16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2021 US$'000	As at 31 December 2020 US$'000
Unquoted equity interests, at fair value[i]	709,622	678,864

Note:

(i) The fair value of these investments is estimated based on the Group's share of the net asset value of the investment funds and associates.

In accordance with the exemption in IAS 28 Investments in associates, the Group has elected to measure its investments in associates and joint ventures at fair value through profit or loss in accordance with IFRS 9. This exemption is related to the fact that fair value measurement provides more useful information for users of the financial statements than application of the equity method. This is an exemption from the requirement to measure interests in associates using the equity method, rather than an exception to the scope of IAS 28 for the accounting for associates and a joint venture.

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

Name	Principal activity	Country of incorporation/ registration	Ownership interest As at 31 December 2021 %	2020 %
Jiangsu Yitian Warehousing Service Co., Ltd.	Warehousing business	China	16.25	16.25
Shanghai Fengyuan Logistic Co., Ltd.	Warehousing business	China	16.25	16.25
Taicang Mingzhan Logistics Company Limited	Warehousing business	China	16.25	16.25
Shanghai Yishang Dianshang Equity Investment 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	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	24.40
Baraki 3 Pte. Ltd.	Investment holding	Singapore	9.88	9.88
Redwood Amagasaki Pte. Ltd.	Investment holding	Singapore	16.70	16.70
RW Chigasaki Pte. Ltd.	Investment holding	Singapore	20.10	20.10
RW Toda Pte. Ltd.	Investment holding	Singapore	20.10	20.10
RW Sachiura Pte. Ltd.	Investment holding	Singapore	7.14	7.14
RW HO A Pte. Ltd.	Investment holding	Singapore	9.99	14.30
RW Ukishima Pte. Ltd.	Investment holding	Singapore	14.30	14.30
ESR Japan Income Fund SCSp	Investment holding	Luxembourg	10.00	–
ESR India Logistics Fund Pte. Ltd.	Investment holding	Singapore	50.00	50.00
Kendall Square Terra Professional Investment Type Private Placement Real Estate Investment Trust No. 1	Investment holding	South Korea	9.10	9.40

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December 2021 US$'000	As at 31 December 2020 US$'000
Listed equity investments, at market value	779,436	878,300

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

During the year, the Group recognised gain arising from its listed equity investments amounted to US$45,674,000 (2020: US$84,129,000) in other comprehensive income.

During the year, the Group recognised dividend income in respect of its listed equity investments amounted to US$22,438,000 (2020: US$20,268,000) in the statement of profit or loss.

The listed equity investments comprise the following:

Listed on	Fair value as at 31 December 2021 US$'000
Hong Kong Exchanges and Clearing Limited ("**HKEX**")	
• Investment A	347,825
• Investment B	9,771
Singapore Exchange Securities Trading Limited ("**SGX**")	
• Investment C	136,603
• Investment D	98,791
• Investment E	74,136
Korea Exchange ("**KRX KOSPI**")	
• Investment F	112,310

As at 31 December 2021, the above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

Listed equity investments at market value with a fair value of US$183,678,000 as at 31 December 2021 (2020: US$294,799,000) 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 2020	1,558,752	1,227,174	2,785,926
Additions	20,108	314,169	334,277
Acquisition of subsidiaries	87,648	46,527	134,175
Changes in fair values of investment properties	53,717	170,963	224,680
Transfer from investment properties under construction to completed investment properties	189,772	(189,772)	–
Reclassification to assets held for sale (note (i))	–	(6,732)	(6,732)
Disposal of subsidiaries	(464,081)	(181,736)	(645,817)
Disposal	(86,174)	(261,006)	(347,180)
Exchange realignment	94,267	90,121	184,388
At 31 December 2020 and 1 January 2021	1,454,009	1,209,708	2,663,717
Additions	443,607	343,891	787,498
Acquisition of subsidiaries (note 32)	226,364	30,424	256,788
Changes in fair values of investment properties	95,825	178,659	274,484
Transfer from investment properties under construction to completed investment properties	217,409	(217,409)	–
Disposal of subsidiaries (note 34)	(259,895)	(15,251)	(275,146)
Exchange realignment	20,464	(23,562)	(3,098)
At 31 December 2021	2,197,783	1,506,460	3,704,243

Note:

(i) This related to land under development of which the disposal was completed during financial year ended 31 December 2021.

(a) All completed investment properties and investment properties under construction of the Group were revalued at 31 December 2021 based on valuation performed by independent professionally qualified valuers, Beijing Colliers International Real Estate Valuation Co., Ltd., Jones Lang LaSalle Property Consultants India Private Limited., Cushman & Wakefield K.K., CBRE K.K., and KJPP Rengganis, Hamid & Rekan 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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31 December 2021

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 2021 US$'000	As at 31 December 2020 US$'000
Within one year	107,325	75,048
After one year but within two years	79,404	63,372
After two years but within three years	46,860	38,813
After three years but within four years	32,614	18,581
After four years but within five years	15,444	8,503
After five years	10,162	10,001
	291,809	214,318

(c) Certain of the Group's completed investment properties and investment properties under construction with a fair value of US$2,971,458,000 (2020: US$2,082,085,000) 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 2021 US$'000	As at 31 December 2020 US$'000
Significant observable inputs (Level 2)	453,465	112,808
Significant unobservable inputs (Level 3)	3,250,778	2,550,909
	3,704,243	2,663,717

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 (2020: 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 2021 and 2020 are as follows:

	2021 US$'000	2020 US$'000
At 1 January	2,550,909	2,552,837
Additions	523,817	270,361
Acquisition of subsidiaries	226,364	96,035
Changes in fair value of investment properties	211,414	214,853
Transfer from Level 2 to Level 3	3,702	222,103
Reclassification to assets held for sale	–	(6,732)
Disposal of subsidiaries	(259,895)	(629,548)
Disposal	–	(347,180)
Exchange realignment	(5,533)	178,180
At 31 December	3,250,778	2,550,909

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: 5.00% to 6.25% (2020: 5.25% to 6.50%) Japan: 3.90% to 5.60% (2020: 4.10% to 4.30%) Hong Kong: 3% (2020: Nil) India: 8.00% (2020: Nil)	The estimated fair value varies inversely against the capitalisation rate
	Discounted cash flows	**Discount rate:** China: 8.00% to 9.25% (2020: 8.25% to 9.25%) Japan: 3.70% to 6.00% (2020: 3.90% to 4.00%) Hong Kong: 7.00% (2020: Nil) India: 12.85% to 13.70% (2020: Nil)	The estimated fair value varies inversely against the discount rate
		Terminal capitalisation rate: China: 5.00% to 6.25% (2020: 5.25% to 6.50%) Japan: 4.00% to 5.50% (2020: 4.20% to 4.30%) Hong Kong: 3.00% (2020: Nil) India: 8.00% (2020: Nil)	The estimated fair value varies inversely against the terminal capitalisation rate

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19. GOODWILL

	US$'000
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
Cost at 1 January 2021, net of accumulated impairment	340,243
Acquisition of subsidiaries (note 32)	202,393
At 31 December 2021	542,636
At 31 December 2021	
Cost	542,636
Accumulated impairment	–
Net carrying amount	542,636

Impairment testing of goodwill

As of 31 December 2021, 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 9.4%. 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.

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 8.5%. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

19. GOODWILL (continued)

Impairment testing of goodwill (continued)

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 2021 US$'000	As at 31 December 2020 US$'000
Redwood	210,480	210,480
Infinitysub	34,370	34,370
ESR Australia	284,216	81,823
SIP	13,570	13,570
Total	542,636	340,243

Assumptions were used in the value-in-use calculation of the Group's cash-generating unit for 31 December 2021 and 2020. 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 2021						
At 1 January 2021:						
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
At 1 January 2021, net of accumulated amortisation	487	9,523	75,246	687	720	86,663
Additions	182	–	–	–	235	417
Acquisition of subsidiaries	–	23,875	–	–	–	23,875
Amortisation provided during the year	(279)	(5,941)	–	(672)	–	(6,892)
Exchange realignment	(21)	(1,119)	(1,151)	(15)	(63)	(2,369)
At 31 December 2021	369	26,338	74,095	–	892	101,694
At 31 December 2021:						
Cost	1,920	55,553	74,095	3,927	892	136,387
Accumulated amortisation	(1,551)	(29,215)	–	(3,927)	–	(34,693)
Net carrying amount	369	26,338	74,095	–	892	101,694
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

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.

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20. OTHER INTANGIBLE ASSETS (continued)

Notes: (continued)

(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 Viva Industrial Trust 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 2021 US$'000	As at 31 December 2020 US$'000
Prepayments for acquiring land use rights	12,723	18,986
Rental income receivables	2,321	2,838
Due from non-controlling interests of subsidiaries	13,319	13,795
Due from joint ventures	974	2,002
Receivable from funds	7,207	–
Rental deposits	2,541	2,306
Investment in Compulsorily Convertible Debentures (note (i))	6,815	6,359
Investment in Optionally Convertible Debentures (note (ii))	5,376	–
Investment in Non-convertible Debentures	8,660	3,491
Input tax recoverable	19,004	10,369
Prepayment for construction	9,372	–
Others	2,555	2,409
	90,867	62,555

Notes:

(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 45).

(ii) The Group subscribed to the Optionally Convertible Debentures ("**OCD**") issued by the Group's joint ventures. The OCD, at the request of the lender and consent of the borrower, shall be convertible into equity shares at any time before 3 years from the drawdown date, but before the date of completion of 6 years from the drawdown date. The OCD may be converted into equity shares in one or more tranches. The OCD shall convert into equity shares at the fair market value of the equity shares on the date of conversion of OCD into equity shares. The outstanding OCD that are neither converted nor redeemed, shall be compulsorily redeemed on the date of completion of 6 years from the drawdown date. The fair value measurement for the OCD has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used (see note 45).

The balances due from non-controlling interests of subsidiaries are non-trade in nature and unsecured. The balance of US$7,504,000 bears interest of 4% per annum. The remaining balance is non-interest bearing.

The balance due from joint ventures are non-trade in nature, unsecured and non-interest bearing.

As at 31 December 2021 and 2020, 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 2021 US$'000	As at 31 December 2020 US$'000
Rental income receivables	6,567	5,828
Management fees due from the joint ventures of the Group	15,945	21,719
Management fees due from funds and REITs managed by the Group	74,342	58,031
Construction income receivables	28,308	8,374
Solar energy income receivables	806	721
	125,968	94,673

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 2021 and 2020, based on the invoice date and net of loss allowance, is as follows:

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

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 2021 and 2020 is determined as follows:

	31 December 2021 Current	31 December 2020 Current
Expected credit loss rate	<0.001%	<0.001%
Gross carrying amount (US$'000)	125,968	94,673
Impairment (US$'000)	–	–

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23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December 2021 US$'000	As at 31 December 2020 US$'000
Deposits for acquisition	35,593	18,516
Due from joint ventures	4,064	115,534
Due from related parties (note 38(d))	10,031	9,602
Receivable from funds	6,612	1,438
Prepayments on behalf of funds	3,377	2,727
Prepayments to suppliers	8,206	7,471
Dividend receivable	396	3,743
Contract assets	936	6,533
Deductible value-added tax	70,554	29,313
Consideration receivable from disposal of subsidiaries	1,918	–
Other receivables	14,387	14,445
	156,074	209,322

The amounts due from joint ventures 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 2021 and 2020, 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 2021 US$'000	As at 31 December 2020 US$'000
Cash and cash in bank	1,517,533	1,404,068
Non-pledged fixed time deposits with a maturity period over three months	–	2,312
Restricted bank balances	68,550	59,441
Pledged bank deposits (note 25)	52,145	49,609
	1,638,228	1,515,430

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 2021, the fixed deposit of nil (2020: US$2,312,000) had a maturity period of over 180 days. The balance as at 31 December 2020 was principal-protected and carried the rate of return of 0.83% per annum.

The pledged bank deposits at 31 December 2021 was denominated in RMB (2020: 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 2021 and 2020, 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 2021			31 December 2020		
	Effective interest rate (%)	Maturity	US$'000	Effective interest rate (%)	Maturity	US$'000
Current						
Bank loans — secured	0.57-6.18	2022	438,846	0.20-6.18	2021	526,368
Bank loans — unsecured	3.09-4.10	2022	192,479	3.23-4.35	2021	207,292
Bonds — unsecured	6.75-7.875	2022	681,558	–	–	–
			1,312,883			733,660
Non-current						
Bank loans — secured	0.57-6.18	2023-2041	794,954	1.70-6.77	2022-2036	803,868
Bank loans — unsecured	2.00-3.43	2023-2026	1,609,920	2.15-3.25	2022-2023	551,584
Other borrowings — unsecured	0.50-10.00	2023-2024	57,627	0.50-10.00	2023-2024	54,859
Bonds — unsecured	5.10	2025	163,742	5.10-7.875	2022-2025	852,310
			2,626,243			2,262,621
Convertible bonds (note 30)	5.03	2025	308,769	5.03	2025	298,997
			2,935,012			2,561,618
			4,247,895			3,295,278

Debt maturity profile of bank and other borrowings:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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25. BANK AND OTHER BORROWINGS (continued)

Company

	31 December 2021			31 December 2020		
	Effective interest rate(%)	Maturity	US$'000	Effective interest rate(%)	Maturity	US$'000
Current						
Bank loans — secured	2.70	2022	40,451	2.70	2021	1,000
Bank loans — unsecured	3.09-4.10	2022	192,479	3.23-4.35	2021	207,292
Bonds — unsecured	6.75-7.875	2022	681,558	–	–	–
			914,488			208,292
Non-current						
Bank loans — secured	–	–	–	2.70	2022	40,450
Bank loans — unsecured	2.00-3.43	2023-2026	1,609,920	2.15-3.25	2022-2023	551,584
Bonds — unsecured	5.10	2025	163,742	5.10-7.875	2022-2025	852,310
			1,773,662			1,444,344
Convertible bonds (note 30)	5.03	2025	308,769	5.03	2025	298,997
			2,082,431			1,743,341
			2,996,919			1,951,633

Debt maturity profile of bank and other borrowings:

	As at 31 December 2021 US$'000	As at 31 December 2020 US$'000
Bank loans repayable		
Within one year	232,930	208,292
In the second year	475,305	139,908
In the third to fifth year, inclusive	1,134,615	452,126
	1,842,850	800,326
Bonds and other borrowings repayable		
Within one year	681,558	–
In the second year	–	685,031
In the third to fifth year, inclusive	472,511	466,276
	1,154,069	1,151,307
	2,996,919	1,951,633

Notes:

As at 31 December 2021, certain of the Group's completed investment properties and investment properties under construction with a total fair value of US$2,971,458,000 (2020: US$2,082,085,000) (note 18(c)), property, plant and equipment with a carrying amount of US$28,390,000 (2020: US$26,835,000) (note 13), pledged bank deposits with an amount of US$52,145,000 (2020: US$49,609,000)(note 24), listed equity interests at market value with a fair value of US$183,678,000 (2020: US$294,799,000) (note 17), and investments in joint ventures and associate with a carrying amount of nil (2020: US$115,899,000) (note 15), and equity interests of certain subsidiaries were pledged to secure bank and other borrowings granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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26. LEASE LIABILITIES

	31 December 2021			31 December 2020		
	Effective interest rate (%)	Maturity	US$'000	Effective interest rate (%)	Maturity	US$'000
Current lease liabilities	1-13	2022	3,488	1-13	2021	6,568
Non-current lease liabilities	1-13	2023-2041	5,601	1-13	2022-2039	6,825
			9,089			13,393

27. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLE

	As at 31 December 2021 US$'000	As at 31 December 2020 US$'000
Trade payables	2,963	5,782
Payables for addition to property, plant and equipment and investment properties	35,643	65,020
Rental income received in advance	2,646	3,204
Accruals	75,315	37,619
Interest payable	35,659	32,084
Staff payroll and welfare payables	34,699	30,178
Other tax payable	7,932	17,355
Due to related parties	366	1,278
Consideration payable for acquisition of subsidiaries	18,887	20,069
Due to non-controlling shareholders of subsidiaries	9,076	3,201
Payable to a fund	606	713
Others	12,130	9,811
	235,922	226,314

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

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

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 2021 and 2020 are as follows:

	Losses available for offsetting against future taxable profits US$'000	Employee benefit payable US$'000	Accrued expenses US$'000	Transaction costs from acquisition of subsidiaries US$'000	Others US$'000	Total US$'000
31 December 2021						
At 1 January 2021	15,543	2,189	4,066	–	2,463	24,261
Acquisition of subsidiaries (note 32)	18,261	–	40	73,042	–	91,343
Deferred tax credited/(charged) to profit or loss during the year	(1,582)	(516)	6,247	–	337	4,486
Disposal of subsidiaries (note 34)	–	–	–	–	(151)	(151)
Exchange realignment	(1,123)	(88)	(413)	(3,420)	61	(4,983)
At 31 December 2021	31,099	1,585	9,940	69,622	2,710	114,956
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	(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

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28. DEFERRED TAX (continued)

The movements in deferred tax liabilities during the years ended 31 December 2021 and 2020 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 2021						
At 1 January 2021	246,799	7,805	21,160	1,383	3,826	280,973
Acquisition of subsidiaries (note 32)	–	–	7,162	–	–	7,162
Deferred tax charged/(credited) to profit or loss during the year	54,730	887	(1,596)	9,033	1,807	64,861
Disposal of subsidiaries (note 34)	(489)	–	–	–	(314)	(803)
Exchange realignment	4,656	(562)	(518)	(342)	(215)	3,019
At 31 December 2021	305,696	8,130	26,208	10,074	5,104	355,212
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	(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

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$28,998,000 as at 31 December 2021 (2020: US$24,630,000), 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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28. DEFERRED TAX (continued)

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 2021, no deferred tax (2020: 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$41,132,000 at 31 December 2021 (2020: US$20,671,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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$3,858,000 and US$3,708,000 (2020: US$6,351,000 and US$6,351,000), respectively.

(b) Changes in liabilities arising from financing activities

	Bank and other borrowings US$'000	Interest payable US$'000	Lease liabilities US$'000
31 December 2021			
At 1 January 2021	3,295,278	32,084	13,393
Changes from financing cash flows	1,190,187	(165,191)	(7,450)
Changes in investing cash flows — additions to investment properties	–	(5,797)	–
Foreign exchange movements	(62,915)	–	(614)
Interest expense	–	168,766	580
Capitalised interest expense	–	5,797	–
Addition	–	–	3,708
Disposal of subsidiaries	(174,655)	–	–
Modifications	–	–	(528)
At 31 December 2021	4,247,895	35,659	9,089

	Bank and other borrowings US$'000	Interest payable US$'000	Lease liabilities US$'000
31 December 2020			
At 1 January 2020	2,570,917	29,297	23,156
Changes from financing cash flows	880,580	(151,305)	(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)	–	(11,494)
At 31 December 2020	3,295,278	32,084	13,393

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30. 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 HK$32.13 per share ("**Conversion Price**"), subject to adjustment upon occurrence of certain prescribed events based on the terms and conditions of the convertible bonds.

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

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

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

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

As of 31 December 2021, there was no conversion of convertible bonds.

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

	Convertible bond 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 2020 and 1 January 2021	298,997
Effective interest expense	15,011
Net increase in Interest payable	(5,239)
Liability component at 31 December 2021 (note 25)	308,769

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31. 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 2021	As at 31 December 2020
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:		
Higashi	30%	30%
Shanghai Yurun	30%	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]	(5)	(36)
Redwood Asian Investments 2 Ltd.[ii]	(41)	(536)
	(46)	(572)
Equity interests held by non-controlling interests:		
Mingyue Logistics Pte. Ltd.[iii]	–	592
Higashi	6,512	8,186
Shanghai Yurun	7,559	8,947
	14,071	17,725
	14,025	17,153
Accumulated balances of non-controlling interests at the reporting date:		
Preference shares issued by subsidiaries:		
Redwood Fujiidera Investor Ltd.[i]	200	225
Redwood Asian Investments 2 Ltd.[ii]	159	219
	359	444
Equity interests held by non-controlling interests:		
Higashi	29,442	74,695
Shanghai Yurun	106,561	65,701
	136,003	140,396
	136,362	140,840

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31. 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	Higashi US$'000	Shanghai Yurun US$'000
2021				
Revenue	–	–	8,412	–
Total expense	(5)	(48)	(3,719)	(408)
Profit/(loss) for the year	(5)	(48)	23,652	28,158
Total comprehensive income/(loss) for the year	(5)	(48)	23,652	28,158
Current assets	66,192	51,474	25,070	67,988
Non-current assets	–	–	199,442	507,775
Current liabilities	67	198	4,024	6,762
Non-current liabilities	–	–	108,916	187,848
Net cash flow from/(used in) operating activities	1	(46)	(10,018)	63
Net cash flow from/(used in) investing activities	139	–	1	(86,296)
Net cash flow from/(used in) financing activities	(139)	–	(144,565)	140,069
Net increase/(decrease) in cash and cash equivalents	1	(46)	(154,582)	53,836
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)

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31. 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 2021, Financial Investor C was a holder of 4,243,902,381 (2020: 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 2021, Financial Investor C was a holder of 3,454,285,715 (2020: 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.

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32. BUSINESS COMBINATION

Milestone Operations Limited ("MOL")

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

The fair values of the identifiable assets and liabilities of MOL and goodwill on acquisition as disclosed in the table below.

	Net assets acquired US$'000
Net assets acquired	
Cash and bank balances	8,813
Prepayments, other receivables and other assets	18
Property, plant and equipment	77
Deferred tax assets	40
Trade payables, accruals and other payables	(134)
Total identifiable net assets at fair value	8,814
Deferred tax asset on cost reimbursement recognised	91,303
Deferred tax liability on management rights recognised	(7,162)
GST receivable	30,434
Other intangible assets	23,875
Goodwill on acquisition	202,393
	349,657
Satisfied by	
Cash	349,657

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

	Cashflow on acquisition US$'000
Cash consideration	(349,657)
Cash and bank balances acquired	8,813
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(340,844)

For the year ended 31 December 2021, MOL contributed Nil revenue and a loss of US$2,562,000 in the Group's results. The Group also recorded management fee income of US$9,014,000 from an associate of the Group of which MOL acts as trustee. Detail of the associate is disclosed in Note 15.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been US$404,426,000 and US$376,762,000, respectively.

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32. BUSINESS COMBINATION (continued)

Acquisition of subsidiaries that are not businesses

Limetree Finance Limited and its subsidiaries ("Limetree")

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

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

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

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

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

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32. BUSINESS COMBINATION (continued)

Acquisition of subsidiaries that are not businesses (continued)

The Group also acquired the following subsidiaries during the year for a total consideration of US$31,776,000:

Name of subsidiaries acquired	Equity interest acquired	Month of acquisition
Nanning Xinrong Zhonglang Logistics Co., Ltd.	100%	August 2021
SI-Group-Shanghai Co., Ltd	100%	December 2021

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

	Net assets acquired US$'000
Net assets acquired	
Cash and bank balances	1,399
Prepayments, other receivables and other assets	4
Investment properties	30,424
Trade payables, accruals and other payables	(51)
	31,776
Satisfied by	
Cash	30,814
Consideration payable	962
	31,776

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

	Cashflow on acquisition US$'000
Cash consideration	(30,814)
Cash and bank balances acquired	1,399
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(29,415)

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33. INTERESTS IN THE UNCONSOLIDATED STRUCTURED ENTITIES

As at 31 December 2021, the Group considers its equity investments in 20 (2020: 19) 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 25 (2020: 23) 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$65,619,000 (2020: US$60,843,000) from the real estate funds for the year ended 31 December 2021. As at 31 December 2021, 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$35,978,000 (2020: US$31,310,000) and the carrying amount of the investments amounting to US$538,066,000 (2020: US$502,519,000).

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34. DISPOSAL OF SUBSIDIARIES

On 6 August 2021, ESR Mumbai 3 Pte Ltd ("**Mumbai 3**"), a wholly-owned subsidiary of the Group, allotted and issued 8 ordinary shares for Nil consideration, and 14,428,229 redeemable preference shares for an aggregate subscription price of US$14,428,229 to a global institutional investor. After the issuance of the new shares, the Group's ownership in Mumbai 3 is diluted from 100% to 20%. Accordingly, the Group lost its control on Mumbai 3 and accounted for its investment in Mumbai 3 as a financial asset at fair value through profit or loss (the "**Fund**").

Deemed disposal of Mumbai 3:

	US$'000
Net assets disposed of:	
Cash and bank balances	1
Investment in joint ventures	17,285
Trade payables, accruals, and other payables#	(15,688)
Deferred tax liabilities	(314)
	1,284
Exchange fluctuation reserve	(74)
Loss on disposal of subsidiaries	(953)
	257
Satisfied by:	
Financial assets at fair value through profit or loss	257
	257

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

	US$'000
Cash consideration	–
Cash and bank balances of subsidiaries disposed of	(1)
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(1)

Included an amount of US$11,800,000 that was subsequently repaid by the Fund to the Group during the year.

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34. DISPOSAL OF SUBSIDIARIES (continued)

In October 2021, the Group, through its wholly-owned subsidiary, Redwood Asian Investments, Ltd., entered into an agreement with ESR Japan Income Fund SCSp (the Fund)# to dispose of the 100% interests in a subsidiary, Enhanced Inc Pte. Ltd.

	US$'000
Net assets disposed of:	
Cash and bank balances	283,288
Prepayments, trade and other receivables and other assets	12,745
Investment properties	259,895
Trade payables, accruals, other payables## and income tax payable	(377,589)
Bank and other borrowings	(174,655)
Deferred tax liabilities	(489)
Non-controlling interests	(89)
	3,106
Exchange fluctuation reserve	2
Gain on disposal of a subsidiary	1,373
	4,481
Satisfied by:	
Cash	3,884
Other receivables	597
	4,481

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

	US$'000
Cash consideration	3,884
Advance capital call received for investment in financial assets at fair value through profit or loss##	333,410
Repayment of intercompany balance to the Group###	(72,643)
Cash and bank balances of a subsidiary disposed of	(283,288)
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(18,637)

\# The Group holds 10% interest in the Fund. The investment is classified as financial asset at fair value through profit or loss.

\## Included an amount of US$333,410,000 being advance capital call received from the shareholders of the Fund, which are the external parties to the Group, before the disposal of Enhanced Inc Pte Ltd was completed. The amount is added back in deriving the net outflow of cash and cash equivalents in cash flows statement as it was not part of the sale consideration.

\### Related to intercompany balance repaid by Enhanced Inc Pte. Ltd immediately before the disposal of 100% interest to ESR Japan Income Fund SCSp was completed. The amount was excluded in deriving the net outflow of cash and cash equivalents in cash flows statement as it was not part of the sale consideration.

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34. DISPOSAL OF SUBSIDIARIES (continued)

On 17 December 2021, the Group, through its wholly-owned subsidiary, Gamma Offshore Holdings (BVI) Limited, entered into an agreement with a joint venture of the Group to dispose of the 100% interests in a subsidiary, which is Shenyang Hualong Storage Service Co. Ltd.

	US$'000
Net assets disposed of:	
Cash and bank balances	9,492
Prepayments, trade and other receivables and other assets	15
Investment properties	15,251
Deferred tax assets	151
Trade payables, accruals, and other payables#	(23,027)
	1,882
Satisfied by:	
Cash	561
Other receivables	1,321
	1,882

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

	US$'000
Cash consideration	561
Cash and bank balances of a subsidiary disposed of	(9,492)
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(8,931)

Included an amount of US$17,630,000 that was subsequently repaid by the joint venture to the Group during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. CONTINGENT LIABILITIES

As at 31 December 2021 and 2020, neither the Group nor the Company had any significant contingent liabilities.

36. 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.

37. 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 2021 and 2020, 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 2021 US$'000	As at 31 December 2020 US$'000
Contracted, but not provided for investment properties	584,628	315,442
Undrawn capital calls to real estate investment funds	1,187,297	1,037,489
	1,771,925	1,352,931

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38. 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 2021 and 2020:

(a) Transactions with related parties:

	2021 US$'000	2020 US$'000
Associates:		
– Management fee income (note (i))	50,444	36,515
– Construction revenue	9,755	8,756
Joint ventures:		
– Management fees income (note (i))	87,192	61,276
– Repayment from/(Advances to) joint ventures (note (ii))	9,084	(100,371)
– Repayment from a joint venture (note (iii))	29,430	109,935
– Investments in debentures issued by joint ventures (note (iv))	9,537	3,491
– Interest income on investment in debentures (note (iv))	1,851	574
– Construction revenue	307	32,169
– Sale of other assets	–	20,540
Directors:		
– Loans to Directors (note 38 (d))	–	9,200
– Interest receivables from Directors (note 38 (d))	452	396

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) Repayment from/(advances to) 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 2021 was US$4,064,000 (2020: US$115,534,000).

(iii) During the year, the Group received repayment of US$29,430,000 from the subsidiaries disposed (note 34) to a financial asset at fair value through profit or loss and a joint venture 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, Optionally 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$255,187,000 and US$417,249,000 (2020: US$43,630,000 and US$916,809,000), respectively.

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38. RELATED PARTY TRANSACTIONS (continued)

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

	2021 US$'000	2020 US$'000
Short term employee benefits	8,312	9,024
Post-employment benefits	13	46
Share-based payment	379	5,670
Total compensation paid to key management personnel	8,704	14,740

(d) Loans to Directors

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

Name	At 1 January 2020 US$'000	Maximum amount outstanding during the year US$'000	At 31 December 2020 and 1 January 2021 US$'000	Maximum amount outstanding during the year US$'000	At 31 December 2021 US$'000
Mr Stuart Gibson	–	4,600	4,600	4,853	4,853
Mr Charles Alexander Portes	–	4,600	4,600	4,853	4,853

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

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39. SHARE CAPITAL

	As at 31 December 2021	As at 31 December 2020
Authorised number of shares	8,000,000,000	8,000,000,000

	As at 31 December 2021 US$'000	As at 31 December 2020 US$'000
Issued and fully paid	3,049	3,060

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

	Number of shares in issue	Share capital US$'000	Share premium account US$'000	Total US$'000
At 1 January 2020	3,036,584,643	3,037	2,042,526	2,045,563
Share options exercised (note (i))	23,766,674	24	22,502	22,526
Share repurchased and cancellation (note (ii))	(536,400)	(1)	(893)	(894)
At 31 December 2020 and 1 January 2021	3,059,814,917	3,060	2,064,135	2,067,195
Share options exercised (note (iii), (iv))	2,662,626	3	121	124
Share repurchased and cancellation (note (v))	(13,873,800)	(14)	(42,068)	(42,082)
At 31 December 2021	3,048,603,743	3,049	2,022,188	2,025,237

Notes:

(i) 23,766,674 shares were issued by the Company for a total cash consideration, before expenses, of US$1,158,000 in satisfaction of 31,593,589 share options exercised in 2020 at the exercise price of US$0.69 per share (note 40). An amount of US$21,368,000 was transferred from the share option reserve to share capital and share premium upon the exercise of the share options.

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

(iii) 2,662,626 shares were issued by the Company for a nil cash consideration in satisfaction of 4,837,951 share options exercised in 2021 at the exercise price of US$0.99 per share (note 40). An amount of US$3,216,000 (before tax of US$1,851,000) was transferred from the share option reserve to share capital and share premium upon the exercise of the share options.

(iv) During the year, the Company paid withholding tax of US$1,241,000 in relation to share options exercised in the previous financial year. The withholding tax expense was recorded in share premium account.

(v) The Company repurchased 13,873,800 of its own shares on the Hong Kong Stock Exchange for a consideration of approximately US$42,082,000. 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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40. 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 2021 and 2020:

	Weighted average exercise price US$	Number of options '000
At 1 January 2020		82,174
Granted during the year	3.52	6,650
Forfeited during the year	1.52	(91)
Exercised during the year	0.69	(31,594)
At 31 December 2020 and at 1 January 2021		57,139
Granted during the year	3.15	11,486
Forfeited during the year	0.99	(298)
Exercised during the year	0.99	(4,837)
At 31 December 2021		63,490

The weighted average share price at the date of exercise for share options exercised during the year ended 2021 was HK$25.11 (2020: HK$20.23) 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 2021 and 2020 are as follows:

Number of options 2021 '000	Number of options 2020 '000	Exercise price per share	Exercise period
24,700	24,700	US$0.4600	20-04-17 to 20-01-26
100	250	US$0.4722	01-01-23* to 22-02-29
15,659	20,074	US$0.9445	01-01-23* to 19-05-29
873	873	US$1.1453	16-08-23* to 15-08-28
948	948	US$1.3655	16-02-24* to 25-02-29
3,074	3,644	US$1.5172	20-05-24* to 19-05-29
6,650	6,650	HK$27.30	21-12-28 to 28-12-30
11,486	–	HK$24.50	21-08-23 to 23-08-31
63,490	57,139		

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

a) an IPO;

b) an Early Vesting Event;

c) 5 years of the date of grant.

If there is (i) a sale of all or substantially all of the shares in; or (ii) a disposal of all or substantially all of the business of the member of the Group of which a participant is a director or by which the participant is employed, as appropriate, by way of trade sale or by way of sale to a third party (an "**Early Vesting Event**"), any options granted to the participant will vest in full on the occurrence of the Early Vesting Event.

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40. SHARE OPTION PLAN (continued)

The fair value of the share options granted during 2021 and 2020 was approximately US$12,281,408 (US$1.07 each) and US$7,866,504 (US$1.18 each), respectively.

The fair value of equity-settled share options granted during the years ended 31 December 2021 and 2020 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 2021	As at 31 December 2020
Dividend yields (%)	–	–
Volatility	25.59	26.18
Risk-free interest rate (%)	1.13	0.71
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 4,837,951 share options exercised during the year resulted in the issue of 2,662,626 ordinary shares of the Company and new share capital of US$2,663 (before issue expenses), as further detailed in note 39.

At 31 December 2021, the Company had 63,490,000 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 63,490,000 additional ordinary shares of the Company and additional share capital and share premium of US$92,703,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 63,490,000 share options outstanding under the Plans, which represented approximately 2.08% of the Company's shares in issue as at that date.

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41. PERPETUAL CAPITAL SECURITIES

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

The distribution rate is 5.65% per annum, with the first distribution rate resets falling on 2 March 2026 and subsequent resets occurring every five years thereafter. Distributions are payable semi-annually in arrears. Subject to the relevant terms and conditions in the supplemental offering circular dated 23 February 2021, the Company may elect to defer making distributions on the perpetual capital securities and is not subject to any limits as to the number of times a distribution can be deferred.

The perpetual capital securities may be redeemed at the option of the Company, on 2 March 2026 or on any distribution payment date thereafter, on giving not less than 30 nor more than 60 days' irrevocable notice in accordance with the terms and conditions of the issuance. The perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated statement of financial position.

Movements of the perpetual capital securities are as follows:

	Principal US$'000	Distribution US$'000	Total US$'000
At 1 January 2020	97,379	–	97,379
Profit attributable to holders of perpetual capital securities	–	4,125	4,125
Distribution to holders of perpetual capital securities	–	(4,125)	(4,125)
Redemption of perpetual capital securities	(97,379)	–	(97,379)
At 31 December 2020 and 1 January 2021	–	–	–
Issuance of perpetual capital securities	260,197	–	260,197
Direct issue costs attributable to the perpetual capital securities	(3,879)	–	(3,879)
Profit attributable to holders of perpetual capital securities	–	10,664	10,664
Distribution to holders of perpetual capital securities	–	(5,835)	(5,835)
At 31 December 2021	256,318	4,829	261,147

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42. 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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42. 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 2021	2,064,135	18,511	11,673	(371,908)	17,306	29,218	1,768,935
Loss for the year	–	–	–	(200,914)	–	–	(200,914)
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	51	–	51
Share of other comprehensive income of joint ventures	–	–	7,917	–	–	–	7,917
Total comprehensive loss for the year	–	–	7,917	(200,914)	51	–	(192,946)
Profit attributable to holders of perpetual capital securities	–	–	–	(10,664)	–	–	(10,664)
Share repurchase and cancellation	(42,068)	–	–	–	–	–	(42,068)
Issue of shares upon exercise of share options	121	(3,216)	–	–	–	–	(3,095)
Transfer of share option reserve upon the forfeiture of share options	–	(214)	–	214	–	–	–
Equity-settled share option arrangement	–	14,818	–	–	–	–	14,818
As at 31 December 2021	2,022,188	29,899	19,590	(583,272)	17,357	29,218	1,534,980

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42. 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 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

43. 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:

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.

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

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 2021	100/(100)	(19,819)/19,819
Year ended 31 December 2020	100/(100)	(16,859)/16,859

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 2021 for a 1% change in foreign currency rates.

	2021 US$'000	2020 US$'000
Increase/(decrease) in profit before tax		
If US$ weakens against RMB	169	134
If US$ strengthens against RMB	(169)	(134)
If US$ weakens against JPY	(1,309)	(626)
If US$ strengthens against JPY	1,309	626
If US$ weakens against S$	(2,710)	(1,895)
If US$ strengthens against S$	2,710	1,895
If US$ weakens against A$	(402)	1,723
If US$ strengthens against A$	402	(1,723)
If US$ weakens against INR	1,041	800
If US$ strengthens against INR	(1,041)	(800)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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43. 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 2021 and 2020.

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 2021 and 2020.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

43. 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 2021 and 2020, 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 2021				
Interest-bearing bank and other borrowings	1,434,802	2,877,172	365,398	4,677,372
Trade and other payables	190,645	–	–	190,645
Lease liabilities	3,766	3,591	2,945	10,302
Other non-current liabilities	–	–	45,915	45,915
	1,629,213	2,880,763	414,258	4,924,234
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

Company

	Less than 1 year US$'000	1 to 5 years US$'000	Over 5 years US$'000	Total US$'000
31 December 2021				
Interest-bearing bank and other borrowings	996,561	2,224,886	–	3,221,447
Trade and other payables	132,035	–	–	132,035
	1,128,596	2,224,886	–	3,353,482
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through comprehensive income (note 17) as at 31 December 2021 and 2020. 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.

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 2021 and 2020, and their respective highest and lowest points during the year were as follows:

	31 December 2021	High/Low 2021	31 December 2020	High/Low 2020
Australia — AORD Index	–	–	6,851	7,290/4,564
Singapore — STI Index	3,124	3,274/2,832	2,869	3,284/2,208
Hong Kong — Hang Seng Index	23,398	31,183/22,665	27,231	29,175/21,139
Korea — KRX KOSPI Index	2,978	3,316/2,823	2,873	2,878/1,439

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 2021 and 2020.

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 2021 and 2020 were as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

44. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 31 December 2021 and 2020 are as follows:

31 December 2021

	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	709,622	–	–	709,622
Financial assets at fair value through other comprehensive income	–	–	779,436	779,436
Trade receivables	–	125,968	–	125,968
Other non-current assets	12,191	37,577	–	49,768
Financial assets included in prepayments, other receivables and other assets	–	40,785	–	40,785
Pledged bank deposits	–	52,145	–	52,145
Restricted bank balances	–	68,550	–	68,550
Cash and bank balances	–	1,517,533	–	1,517,533
	721,813	1,842,558	779,436	3,343,807

	Financial liabilities at amortised cost US$'000	Total US$'000
Financial liabilities		
Financial liabilities included in trade payables, accruals and other payables	190,645	190,645
Interest-bearing bank and other borrowings	4,247,895	4,247,895
Lease liabilities	9,089	9,089
Other non-current liabilities	45,915	45,915
	4,493,544	4,493,544

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

44. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

31 December 2021

45. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

45. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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	2021: US$395,000 to US$642,305,000 2020: US$424,000 to US$596,390,000	1% increase (decrease) in net asset value would result in increase (decrease) in fair value by 1%
Investment in CCD and OCD at fair value	Discounted cash flows	Cost of equity	2021: 9.75% to 10.57% 2020: 9.75% to 10.57%	1% increase (decrease) in cost of equity would result in (decrease) increase in estimated fair value by 0.56%

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 2021			
Financial assets at fair value through profit or loss	–	721,813	721,813
Financial assets at fair value through other comprehensive income	779,436	–	779,436
	779,436	721,813	1,501,249
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

45. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Group (continued)

Assets measured at fair value (continued)

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

	As at 31 December 2021 US$'000	As at 31 December 2020 US$'000
Financial assets at fair value through profit or loss — unlisted		
At 1 January	685,223	595,453
Total gain recognised in profit or loss included in other income	13,976	50,976
Gain on sale of interests in financial assets at fair value through profit or loss	1,074	–
Dilution of interests in financial assets at fair value through profit or loss	–	(398)
Interest receivable	1,067	574
Purchases	156,045	129,833
Distribution	(71,448)	(71,748)
Disposal	(22,817)	(11,263)
Disposal of subsidiary (net of interest retained)	257	(32,490)
Exchange realignment	(41,564)	24,286
At 31 December	721,813	685,223

During the years ended 31 December 2021 and 2020, there were no transfers of fair values measurements into or out of Level 3 for financial liabilities.

Company

Assets measured at fair value

	Quoted prices In active market (Level 1) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
As at 31 December 2021			
Financial assets at fair value through other comprehensive income	43,012	–	43,012
As at 31 December 2020			
Financial assets at fair value through other comprehensive income	42,842	–	42,842

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

46. EVENTS AFTER THE REPORTING DATES

On 4 August 2021, the Company entered into an Acquisition Agreement in relation to a business combination of the Group with ARA Asset Management Limited and its subsidiaries ("**ARA Group**") ("**ARA Acquisition**"). The total consideration is US$4,859 million, determined based on prevailing share price on completion of HK$25.15 per share. The acquisition was completed on 20 January 2022. On completion, ARA Group became a subsidiary of the Company and accordingly, the financial results of the ARA Group will be consolidated into the accounts of the Company.

On 3 February 2022, the Company made payment for the redemption in full of all the outstanding S$350,000,000 6.75% Fixed Rate Notes ("**Notes**") issued pursuant to the US$2,000,000,000 Multicurrency Debt Issuance Programme. Following the full redemption of all the outstanding Notes, the Notes had been cancelled in accordance with the terms and conditions of the Notes, and following such cancellation, there are no outstanding Notes.

47. 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

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48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2021 US$'000	As at 31 December 2020 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment		49	174
Financial assets at fair value through other comprehensive income		43,012	42,842
Investments in subsidiaries		764,575	739,625
Investment in a joint venture		289,848	282,144
Other intangible assets		89	209
Other non-current assets		8,479	11,297
Total non-current assets		1,106,052	1,076,291
CURRENT ASSETS			
Prepayments, other receivables and other assets		2,992,024	2,650,247
Cash and bank balances		882,425	643,743
Total current assets		3,874,449	3,293,990
CURRENT LIABILITIES			
Bank and other borrowings	25	914,488	208,292
Trade payables, accruals and other payables		134,911	597,158
Income tax payable		994	994
Total current liabilities		1,050,393	806,444
NET CURRENT ASSETS		2,824,056	2,487,546
TOTAL ASSETS LESS CURRENT LIABILITIES		3,930,108	3,563,837
NON-CURRENT LIABILITIES			
Bank and other borrowings	25	2,082,431	1,743,341
Total non-current liabilities		2,082,431	1,743,341
NET ASSETS		1,847,677	1,820,496
EQUITY			
Issued capital		3,049	3,060
Perpetual capital securities		261,147	–
Equity components of convertible bonds	30	48,501	48,501
Other reserves	42	1,534,980	1,768,935
Total equity		1,847,677	1,820,496

49. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 24 March 2022.

GROUP FINANCIAL SUMMARY

RESULTS (US$'000)

For the year ended	FY2017	FY2018	FY2019	FY2020	FY2021
Revenue					
Rental income	57,844	74,311	118,042	101,402	**110,508**
Management fee income	94,268	135,579	166,721	189,278	**244,042**
Construction income	–	40,665	69,858	92,160	**43,815**
Solar energy income	1,177	3,593	2,748	5,491	**6,061**
	153,289	**254,148**	**357,369**	**388,331**	**404,426**
Segment Results					
Investment	182,933	233,592	256,087	225,938	**342,493**
Fund management	79,371	109,601	131,825	147,598	**198,956**
Development	161,559	115,503	244,782	289,178	**235,324**
	423,863	**458,696**	**632,694**	**662,714**	**776,773**
Profit after tax	**200,834**	**212,878**	**278,400**	**314,707**	**382,676**
Profit attributable to:					
Owners of the Company ("PATMI")	186,265	203,042	245,177	286,466	**349,440**
Non-controlling interests	14,569	9,836	33,223	28,241	**33,236**
	200,834	**212,878**	**278,400**	**314,707**	**382,676**

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

At 31 December	FY2017	FY2018	FY2019	FY2020	FY2021
Non-current assets	2,386,490	3,562,491	5,156,142	5,861,284	**7,417,348**
Current assets	668,378	869,109	1,196,056	1,826,157	**1,920,270**
Total assets	**3,054,868**	**4,431,600**	**6,352,198**	**7,687,441**	**9,337,618**
Current liabilities	162,362	855,373	488,976	985,662	**1,581,843**
Non-current liabilities	1,185,866	1,258,305	2,612,110	2,896,574	**3,341,740**
Total liabilities	**1,348,228**	**2,113,678**	**3,101,086**	**3,882,236**	**4,923,583**
Net assets	**1,706,640**	**2,317,922**	**3,251,112**	**3,805,205**	**4,414,035**
Equity attributable to owners of the Company	1,580,085	2,090,039	3,026,254	3,596,209	**4,158,858**
Non-controlling interests	126,555	227,883	224,858	208,996	**255,177**
Total equity	**1,706,640**	**2,317,922**	**3,251,112**	**3,805,205**	**4,414,035**

GROUP FINANCIAL SUMMARY

FINANCIAL METRICS

Financial Year	FY2017	FY2018	FY2019	FY2020	FY2021
EBITDA (US$'000) [1]	369,661	384,212	549,091	571,177	**664,198**
Adjusted EBITDA (US$'000) [1]	181,935	239,586	358,933	366,004	**430,763**
Core PATMI (US$'000)[1]	126,804	147,619	226,723	259,941	**316,015**
Net debt (US$'000) [2]	232,644	879,094	1,686,711	1,779,848	**2,609,667**
Net debt/total assets	7.6%	19.8%	26.6%	23.2%	**27.9%**

(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)	FY2017	FY2018	FY2019	FY2020	FY2021
Profit before tax	273,174	270,587	360,334	410,704	**488,840**
Add/(less):					
Depreciation and amortisation	8,061	10,226	16,363	17,141	**17,137**
Finance costs	90,903	104,929	180,368	147,414	**163,549**
Interest income	(2,477)	(1,530)	(7,974)	(4,082)	**(5,328)**
EBITDA	**369,661**	**384,212**	**549,091**	**571,177**	**664,198**
Add/(less):					
Equity-settled share option expense	11,923	23,157	18,469	14,082	**14,818**
Exchange (gain)/loss	(4,431)	869	1,111	5,425	**(1,587)**
Fair value gains on investment properties	(195,218)	(172,467)	(226,083)	(224,680)	**(274,484)**
Listing expenses	–	2,521	16,345	–	**–**
Transaction costs related to ARA	–	–	–	–	**27,818**
Write-off related to loss of property, plant and equipment	–	9,632	–	–	**–**
One-off insurance compensation	–	(8,338)	–	–	**–**
Adjusted EBITDA	**181,935**	**239,586**	**358,933**	**366,004**	**430,763**
Profit after tax and minority interests	186,265	203,042	245,177	286,466	**349,440**
Fair value gains on completed investment properties	(95,179)	(109,688)	(68,568)	(53,717)	**(95,825)**
Add:					
Equity-settled share option expense	11,923	23,157	18,469	14,082	**14,818**
Listing expenses	–	2,521	16,345	–	**–**
Tax effect of adjustments	23,795	28,587	15,300	13,110	**19,764**
Transaction costs related to ARA	–	–	–	–	**27,818**
Core PATMI	**126,804**	**147,619**	**226,723**	**259,941**	**316,015**

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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

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

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

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

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

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

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Unaudited Pro Forma Consolidated Statement of Financial Position

	As of 31 December 2021								
	ESR Cayman Group (audited) Note 1 US$'000	ARA Group (audited) Note 2 US$'000	Reclassifications Note 3 US$'000	Acquisition entries Note 4 US$'000	SMBC subscription Note 5 US$'000	Acquisition of additional interest in LOGOS become 86.4% Note 6 US$'000	Acquisition costs Note 7 US$'000	Equity-settled share option paid to ARA Group employees Note 8 US$'000	Unaudited Pro Forma consolidated statement of financial position of the Enlarged Group US$'000
NON-CURRENT ASSETS									
Property, plant and equipment	33,937	3,903	–	–	–	–	–	–	37,840
Right-of-use assets	8,940	14,547	–	–	–	–	–	–	23,487
Investments in joint ventures and associates	1,331,017	1,429,933	–	–	–	–	–	–	2,760,950
Financial assets at fair value through profit or loss	709,622	–	41,645	–	–	–	–	–	751,267
Financial assets at fair value through other comprehensive income	779,436	–	655,482	–	–	–	–	–	1,434,918
Investment properties	3,704,243	115,488	–	–	–	–	–	–	3,819,731
Goodwill	542,636	–	393,845	3,795,376	–	–	–	–	4,731,857
Other intangible assets	101,694	447,085	(393,845)	(52,186)	–	–	–	–	102,748
Other non-current assets	90,867	13,475	–	–	–	–	–	–	104,342
Deferred tax assets	114,956	1,994	–	–	–	–	–	–	116,950
Financial assets	–	697,127	(697,127)	–	–	–	–	–	–
Financial derivative assets	–	5,595	–	–	–	–	–	–	5,595
Total non-current assets	7,417,348	2,729,147	–	3,743,190	–	–	–	–	13,889,685
CURRENT ASSETS									
Trade receivables	125,968	49,355	43,957	–	–	–	–	–	219,280
Prepayments, other receivables and other assets	156,074	116,625	(43,957)	–	–	–	–	–	228,742
Financial assets at fair value through profit or loss	–	13,060	–	–	–	–	–	–	13,060
Financial derivative assets	–	11	–	–	–	–	–	–	11
Cash and bank balances	1,638,228	552,940	–	(519,231)	250,000	–	–	–	1,921,937
	1,920,270	731,991	–	(519,231)	250,000	–	–	–	2,383,030
Assets held for sale	–	87,974	–	–	–	–	–	–	87,974
Total current assets	1,920,270	819,965	–	(519,231)	250,000	–	–	–	2,471,004
CURRENT LIABILITIES									
Bank and other borrowings	1,312,883	97,819	–	–	–	–	–	–	1,410,702
Lease liabilities	3,488	4,434	–	–	–	–	–	–	7,922
Trade payables, accruals and other payables	235,922	144,205	–	–			25,300		405,427
Contingent consideration payable	–	16,773	–	–	–	–	–	–	16,773
Income tax payable	29,550	54,300	–	–	–	–	–	–	83,850
	1,581,843	317,531	–	–	–	–	25,300	–	1,924,674
Liabilities directly associated with the assets held for sale	–	52,703	–	–	–	–	–	–	52,703
Total current liabilities	1,581,843	370,234	–	–	–	–	25,300	–	1,977,377

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Unaudited Pro Forma Consolidated Statement of Financial Position (continued)

	As of 31 December 2021								
	ESR Cayman Group (audited) Note 1 US$'000	ARA Group (audited) Note 2 US$'000	Reclassifications Note 3 US$'000	Acquisition entries Note 4 US$'000	SMBC subscription Note 5 US$'000	Acquisition of additional interest in LOGOS become 86.4% Note 6 US$'000	Acquisition costs Note 7 US$'000	Equity-settled share option paid to ARA Group employees Note 8 US$'000	Unaudited Pro Forma consolidated statement of financial position of the Enlarged Group US$'000
NET CURRENT ASSETS	338,427	449,731	–	(519,231)	250,000	–	(25,300)	–	493,627
TOTAL ASSETS LESS CURRENT LIABILITIES	7,755,775	3,178,878	–	3,223,959	250,000	–	(25,300)	–	14,383,312
NON-CURRENT LIABILITIES									
Deferred tax liabilities	355,212	13,629	–	–	–	–	–	–	368,841
Bank and other borrowings	2,935,012	907,080	–	–	–	–	–	–	3,842,092
Lease liabilities	5,601	11,746	–	–	–	–	–	–	17,347
Derivative liabilities	–	296	–	–	–	–	–	–	296
Other non-current liabilities	45,915	20,230	–	–	–	–	–	–	66,145
Total non-current liabilities	3,341,740	952,981	–	–	–	–	–	–	4,294,721
NET ASSETS	**4,414,035**	**2,225,897**	**–**	**3,223,959**	**250,000**	**–**	**(25,300)**	**–**	**10,088,591**
EQUITY									
Equity attributable to owners of the Company									
Issued capital	3,049	1,708	–	(362)	77	–	–	–	4,472
Perpetual capital securities	261,147	704,860	–	–	–	–	–	–	966,007
Equity components of convertible bonds	48,501	–	–	–	–	–	–	–	48,501
Other reserves	3,846,161	1,114,495	–	3,224,321	249,923	48,838	(25,300)	–	8,458,438
	4,158,858	1,821,063	–	3,223,959	250,000	48,838	(25,300)	–	9,477,418
Non-controlling interests	255,177	404,834	–	–	–	(48,838)	–	–	611,173
TOTAL EQUITY	**4,414,035**	**2,225,897**	**–**	**3,223,959**	**250,000**	**–**	**(25,300)**	**–**	**10,088,591**

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Unaudited Pro Forma Consolidated Statement of Financial Position (continued)

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

(1) The balances have been extracted from the audited consolidated statement of financial position of the Group as at 31 December 2021.

(2) The balances have been extracted from the audited consolidated statement of financial position of the ARA Group.

(3) Reclassifications are to align the classifications of the respective amounts of financial statement line items as shown on the consolidated statement of financial position of ARA Group to those of the consolidated statement of financial position of the Group:

(i) from "Financial assets (non-current)" of ARA Group to "Financial assets at fair value through profit or loss" and "Financial assets at fair value through other comprehensive income" of the Group.;

(ii) from "Other intangible assets" of ARA Group to "Goodwill" of the Group. This is to separate goodwill from other intangible assets and disclose as a separate line;

(iii) from "Prepayments, other receivables and other assets" of ARA Group to "Trade receivables" of the Group for trade balances related to fee receivables of ARA Group;

(4) The Group has applied the acquisition accounting in accordance with IFRS 3 *Business Combinations* to account for the acquisition of ARA Group, based on net tangible asset acquired as of 31 December 2021, as if the acquisition was completed on 31 December 2021. The pro forma goodwill is calculated as follows:

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

(a) Pursuant to the Acquisition Agreement, the total consideration was satisfied in the following manner:

(i) US$519 million in cash, funded by internal resources of the Group and the net proceeds from the subscription of new shares by Sumitomo Mitsui Banking Corporation ("SMBC") for US$250 million; and

(ii) US$4,340 million by the issue of 1,345,898,078 shares at HK$25.15 per share, based on share price on completion date of 20 January 2022.

(b) The non-controlling interests of ARA Group is measured at their proportionate share in the recognised fair value of ARA Group's identifiable net assets

(c) The carrying amount of perpetual capital securities as of 31 December 2021 represents proceeds received upon issuance (net of issuance costs).

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

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

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

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

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

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Unaudited Pro Forma Consolidated Statement of Financial Position (continued)

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

(5) Pursuant to the Acquisition Agreement, SMBC has subscribed for an additional 76,689,349 shares for an aggregate subscription price of US$250 million at a subscription price of HK$25.35 per share. The SMBC subscription shares had been issued as fully paid and rank pari passu in all respects with the shares in issue.

(6) Upon completion, the ARA Group holds 86.4% of LOGOS. The non-controlling interests ("NCI") share in LOGOS' reduced from 47.8% to 13.6% accordingly. This resulted in lower total comprehensive income attributable to NCI, and higher total comprehensive income attributable to ARA Group. The financial impact was computed based on LOGOS' total comprehensive income for the year ended 31 December 2021 as disclosed in ARA's audited consolidated financial statements.

(7) The adjustment represents the estimated transaction costs of approximately US$25.3 million relating to ARA acquisition.

(8) To retain the services of the ARA Group employees whose work is vital to the growth and continued success of the ARA Group and to incentivise and reward such employees, the Company will grant awards or other rights under the Share Incentive Plans to certain ARA Group employees following completion. The aggregate value of all such grants (calculated by reference to the net value of such grants as at their date of grant, being the share price at the relevant time net of any strike price or other exercise payment or threshold) is expected to be approximately US$27.7 million (when fully vested) and will be made in compliance with the terms of the Share Incentive Plans and the Listing Rules.

(9) The LOGOS Founders have entered into LOGOS Revised SHA with ARA to govern their relationship as shareholders of LOGOS with effect from Completion. Pursuant to the LOGOS Revised SHA, on or shortly after the date falling three years after Completion, the Group will acquire the LOGOS shares held by the LOGOS Founders (the "LOGOS Minority Acquisition") at fair market value, to be determined by an independent valuer at the time of such acquisition, subject to the LOGOS Consideration Cap of US$4.5 billion. The consideration for the LOGOS Minority Acquisition will be satisfied by an issue of new Shares based on the 60-day volume-weighted average price of the Shares to the LOGOS Founders and/or the payment of cash, at the Company's election. As the number of consideration shares payable to the LOGOS Founders has not been fixed, the LOGOS Minority Acquisition consideration is not determinable at the date of annual report.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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

	For the year ended 31 December 2021						
	ESR Cayman Group (audited) Note 1 US$'000	ARA Group (audited) Note 2 US$'000	Reclassifications Note 3,4 US$'000	Acquisition costs Note 5 US$'000	Acquisition of additional interest in LOGOS become 86.4% Note 6 US$'000	Equity-settled share option paid to ARA Group employees Note 7 US$'000	Unaudited Pro Forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group US$'000
Revenue	404,426	406,300	–	–	–	–	810,726
Cost of sales	(53,967)	–	(9,354)	–	–	–	(63,321)
Gross profit	350,459	406,300	(9,354)	–	–	–	747,405
Other income and gains, net	375,701	5,732	50,821	–	–	–	432,254
Co-investment income	–	29,172	(29,172)	–	–	–	–
Finance income	–	8,856	(8,856)	–	–	–	–
Fair value gains and exchange gains	–	5,517	(5,517)	–	–	–	–
Administrative expenses	(241,825)	(37,673)	(212,977)	(25,300)	–	(27,720)	(545,495)
Employee-related costs	–	(141,290)	141,290	–	–	–	–
Legal and professional fee	–	(22,852)	22,852	–	–	–	–
Property related expense	–	(9,354)	9,354	–	–	–	–
Depreciation and amortisation	–	(14,538)	14,538	–	–	–	–
Transaction costs and one-off expenses	–	(27,021)	27,021	–	–	–	–
Finance costs	(163,549)	(26,528)	–	–	–	–	(190,077)
Share of profits and losses of joint ventures and associates, net	168,054	156,951	–	–	–	–	325,005
Profit before tax	**488,840**	**333,272**	**–**	**(25,300)**	**–**	**(27,720)**	**769,092**
Income tax expense	(106,164)	(66,182)	–	–	–	–	(172,346)
Profit for the year	**382,676**	**267,090**	**–**	**(25,300)**	**–**	**(27,720)**	**596,746**
Attributable to:							
Owners of the Company	349,440	171,197	38,793	(25,300)	40,007	(27,720)	546,417
Perpetual capital securities holder	–	38,793	(38,793)	–	–	–	–
Non-controlling interests	33,236	57,100	–	–	(40,007)	–	50,329
	382,676	**267,090**	**–**	**(25,300)**	**–**	**(27,720)**	**596,746**

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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

	For the year ended 31 December 2021						
	ESR Cayman Group (audited) Note 1 US$'000	ARA Group (audited) Note 2 US$'000	Reclassifications Note 3,4 US$'000	Acquisition costs Note 5 US$'000	Acquisition of additional interest in LOGOS become 86.4% Note 6 US$'000	Equity-settled share option paid to ARA Group employees Note 7 US$'000	Unaudited Pro Forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group US$'000
Profit for the year	382,676	267,090	–	(25,300)	–	(27,720)	596,746
Other comprehensive loss							
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:							
Exchange differences on translation of foreign operations	(50,851)	(92,676)	–	–	–	–	(143,527)
Share of other comprehensive loss of joint ventures and associates	(31,044)	(3,379)	–	–	–	–	(34,423)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(81,895)	(96,055)	–	–	–	–	(177,950)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:							
Changes in fair value of financial assets at fair value through other comprehensive income	45,674	90,396	–	–	–	–	136,070
Share of fair value reserve of associates and joint ventures	–	14,339	–	–	–	–	14,339
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	45,674	104,735	–	–	–	–	150,409
Other comprehensive (loss)/income for the year, net of tax	(36,221)	8,680	–	–	–	–	(27,541)
Total comprehensive income for the year	**346,455**	**275,770**	**–**	**(25,300)**	**–**	**(27,720)**	**569,205**
Attributable to:							
Owners of the Company	307,227	167,941	38,793	(25,300)	48,838	(27,720)	509,779
Perpetual capital securities holder	–	38,793	(38,793)	–	–	–	–
Non-controlling interests	39,228	69,036	–	–	(48,838)	–	59,426
	346,455	**275,770**	**–**	**(25,300)**	**–**	**(27,720)**	**569,205**

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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

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

(1) The balances have been extracted from the audited consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2021.

(2) The balances have been extracted from the audited consolidated statement of profit or loss and other comprehensive income of the ARA Group.

(3) Reclassifications are to change presentation of consolidated statement of profit or loss and other comprehensive income of ARA Group to be "by function" in accordance with IAS 1 *Presentation of Financial Statements*. This is to align with the Group's presentation of consolidated statement of profit or loss and other comprehensive income.

(4) ARA Group's accrued distribution of perpetual capital securities is reclassified to "Owners of the Company" to align with the Group's presentation. ARA Group recognised perpetual capital securities as equity as it is able to defer making a distribution (subject to the terms and conditions of the securities issue) on the perpetual capital securities, and is not subject to any limits as to the number of times a distribution can be deferred.

(5) The adjustment represents the estimated transaction costs of approximately US$25.3 million relating to the ARA acquisition.

(6) Upon Completion, the ARA Group holds 86.4% of LOGOS. The non-controlling interests ("NCI") share in LOGOS' reduced from 47.8% to 13.6% accordingly. This resulted in lower total comprehensive income attributable to NCI, and higher total comprehensive income attributable to ARA Group. The financial impact was computed based on LOGOS' total comprehensive income for the year ended 31 December 2021 as disclosed in ARA's audited consolidated financial statements.

(7) To retain the services of the ARA Group employees whose work is vital to the growth and continued success of the ARA Group and to incentivise and reward such employees, the Company will grant awards or other rights under the Share Incentive Plans to certain ARA Group employees following Completion. The aggregate value of all such grants (calculated by reference to the net value of such grants as at their date of grant, being the Share price at the relevant time net of any strike price or other exercise payment or threshold) is expected to be approximately US$27.7 million (when fully vested) and will be made in compliance with the terms of the Share Incentive Plans and the Listing Rules

(8) Enlarged Group Segmental Information for the year ended 31 December 2021 is prepared for illustrative purposes only and because of its hypothetical nature, it may not purport to present the true picture of the financial effects on the segmental financial performance of the Enlarged Group that would have been attained had ARA Acquisition been completed on the dates as set out in the introductory paragraphs.

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

(a) Investments segment of ARA Group comprises seed capital investments into various co-investment funds and public listed real estate investment trusts ("REITs") that derive dividend income; as well as projects that are held as seed investments.

(b) Fund Management segment of ARA Group comprises its segment results from its current private markets segment that primarily engaged in the provision of fund and property management services to (i) private real estate funds, (ii) new economy funds, (iii) credit funds and (iv) infrastructure funds. It also consists of associates that are involved in the provision of fund management businesses which include Cromwell Property Group and Kenedix Inc.

(c) Development segment of ARA Group comprises share of profit of associates and joint ventures holding the development projects.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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

Unaudited Pro Forma Operating Segment Information

	For the year ended 31 December 2021															
	ESR Cayman Group				ARA Group				Proforma adjustments				Unaudited Pro Forma operating segment information of the Enlarged Group			
	Investment US$'000	Fund Management US$'000	Development US$'000	Total US$'000	Investment US$'000	Fund Management US$'000	Development US$'000	Total US$'000	Investment US$'000	Fund Management US$'000	Development US$'000	Total US$'000	Investment US$'000	Fund Management US$'000	Development US$'000	Total US$'000
Segment revenue	116,569	244,042	43,815	404,426	–	406,300	–	406,300	–	–	–	–	116,569	650,342	43,815	810,726
– Intersegment sales	–	–	–	–	–	1,669	–	1,669	–	–	–	–	–	1,669	–	1,669
	116,569	244,042	43,815	404,426	–	407,969	–	407,969	–	–	–	–	116,569	652,011	43,815	812,395
Reconciliation:																
Elimination of intersegment sales	–	–	–	–	–	(1,669)	–	(1,669)	–	–	–	–	–	(1,669)	–	(1,669)
Revenue from continuing operations	116,569	244,042	43,815	404,426	–	406,300	–	406,300	–	–	–	–	116,569	650,342	43,815	810,726
Operating expenses	(27,958)	(45,086)	(89,561)	(162,605)	(3,919)	(161,349)	–	(165,268)	–	–	–	–	(31,877)	(206,435)	(89,561)	(327,873)
Fair value gains on investment properties	95,825	–	178,659	274,484	(4,433)	–	–	(4,433)	–	–	–	–	91,392	–	178,659	270,051
Changes in carrying value of financial assets and liabilities at fair value through profit or loss	(4,506)	–	18,688	14,182	5,526	228	–	5,754	–	–	–	–	1,020	228	18,688	19,936
Gain on fair value of derivative financial assets	–	–	–	–	–	5,489	–	5,489	–	–	–	–	–	5,489	–	5,489
Share of profits and losses of joint ventures and associates, net	95,411	–	72,643	168,054	9,274	128,169	19,508	156,951	–	–	–	–	104,685	128,169	92,151	325,005
Gain/(loss) on disposal of subsidiaries	1,373	–	(953)	420	(438)	300	–	(138)	–	–	–	–	935	300	(953)	282
Gain/(loss) on disposal of interests in joint ventures and associates	3,315	–	8,074	11,389	–	(515)	(784)	(1,299)	–	–	–	–	3,315	(515)	7,290	10,090
Gain on previously held interest in an associate/joint venture	–	–	–	–	–	6,248	–	6,248	–	–	–	–	–	6,248	–	6,248
Gain on disposal of interests in financial assets at fair value through profit or loss	–	–	1,074	1,074	–	(419)	–	(419)	–	–	–	–	–	(419)	1,074	655
Gain on disposal of assets held for sale	–	–	2,885	2,885	881	815	–	1,696	–	–	–	–	881	815	2,885	4,581
Dividend income	62,464	–	–	62,464	25,166	4,006	–	29,172	–	–	–	–	87,630	4,006	–	91,636
Segment result	**342,493**	**198,956**	**235,324**	**776,773**	**32,057**	**389,272**	**18,724**	**440,053**	**–**	**–**	**–**	**–**	**374,550**	**588,228**	**254,048**	**1,216,826**
Reconciliation:																
Depreciation and amortisation				(17,137)				(14,538)				–				(31,675)
Exchange gain/(loss)				1,587				(1,294)				–				293
Interest income				5,328				8,856				–				14,184
Finance costs				(163,549)				(26,528)				–				(190,077)
Equity-settled share option expense				(14,818)				(1,724)				(27,720)				(44,262)
Other unallocated gains				1,888				5,732				–				7,620
Corporate and other unallocated expenses				(101,232)				(77,285)				(25,300)				(203,817)
Profit before tax from continuing operations				**488,840**				**333,272**				**(53,020)**				**769,092**
Other segment information																
Depreciation and amortisation				(17,137)				(14,538)				–				(31,675)
Capital expenditure				1,077,249				1,914				–				1,079,163
Investments in joint ventures and associates				1,331,017				1,429,933				–				2,760,950

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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

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

EY 安永

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24 March 2022

To the Directors of ESR Cayman Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of ESR Cayman Limited (the "Company") and its subsidiaries (collectively, the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2021, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021, and the related notes as set out on pages 241 to 249 in the Company's annual report dated 24 March 2022 for the year ended 31 December 2021 issued by the Company (the "Unaudited Pro Forma Financial Information") in connection with the acquisition (the "Acquisition") of 100% of share capital of the ARA Asset Management Limited ("ARA", the ARA and its subsidiaries collectively referred to as the "ARA Group") completed on 20 January 2022. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages 241 to 249 of the annual report respectively.

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

Directors' responsibility for the Pro Forma Financial Information

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

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Our independence and quality control

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

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

Auditor's responsibilities

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

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

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

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

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

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

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

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

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

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

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

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

CORPORATE INFORMATION

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

NON-EXECUTIVE DIRECTORS
Mr Jeffrey David PERLMAN
(Chairman of the Board)
Mr Charles Alexander PORTES
Mr Wei HU
Mr David Alasdair William MATHESON
Mr Hwee Chiang LIM
(w.e.f. 20 Jan 2022)
Dr Kwok Hung, Justin CHIU
(w.e.f. 20 Jan 2022)
Mr Rajeev Veeravalli KANNAN
(w.e.f. 20 Jan 2022)

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
Ms Serene Siew Noi NAH
(w.e.f. 19 Apr 2022)

COMPANY SECRETARY
Mr Richard Kin-sing LEE

MEMBERS OF AUDIT COMMITTEE
Mr Simon James MCDONALD
(Chairman)
Mr Brett Harold KRAUSE
Mr Robin Tom HOLDSWORTH
Ms Serene Siew Noi NAH
(w.e.f. 19 Apr 2022)

MEMBERS OF NOMINATION COMMITTEE
The Right Honourable Sir Hugo George William SWIRE, KCMG
(Chairman)
Mr Brett Harold KRAUSE
Ms Jingsheng LIU
Ms Serene Siew Noi NAH
(w.e.f. 19 Apr 2022)

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

AUTHORISED REPRESENTATIVES
Mr Jinchu SHEN
Mr Richard Kin-sing LEE

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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
Maybank Banking Berhad
Mizuho Bank, Ltd.
MUFG Bank, Ltd.
Natixis, Hong Kong branch
Oversea-Chinese Banking Corporation Limited
RHB Bank Berhad
Standard Chartered Bank
SRCB Shanghai
Sumitomo Mitsui Banking Corporation
The Hong Kong and Shanghai Banking Corporation Limited
United Overseas Bank Limited

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AUDITOR
Ernst & Young
(Registered Public Interest Entity Auditor)

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(www.esr.com)
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LOGOS
(www.logosproperty.com)

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

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