



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

REACHING NEW HEIGHTS

INTERIM REPORT 2022

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 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.



NEW ECONOMY 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.

CONTENTS

2	1H2022 Financial Highlights
4	1H2022 Operational Highlights
6	Overview of ESR Group
8	Key Trends to Support Our Growth Strategies
10	Management Discussion & Analysis
18	Corporate Governance and Other Information
41	Auditor's Independent Review Report
42	Unaudited Condensed Consolidated Financial Information
95	Non-IFRS Measures
End	Corporate Information

1H2022

FINANCIAL HIGHLIGHTS



TOTAL SEGMENTAL RESULT
**US\$727
MILLION**

75%*



TOTAL PATMI¹
**US\$412
MILLION**

93%*



CORE PATMI^{1,2}
**US\$389
MILLION**

133%*



ASSETS UNDER MANAGEMENT³
**US\$149
BILLION**

312%*



MARKET CAPITALISATION⁴
**US\$12
BILLION**



WEIGHTED AVERAGE
INTEREST COST
3.8%



EARNINGS PER SHARE¹
(US\$)
9.2 cents



DIVIDEND PER SHARE
(US\$)
1.6 cents⁵

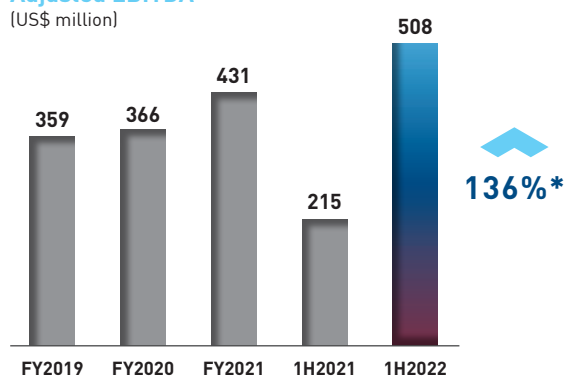
* Year-on-Year ("YoY") Change % represents a comparison between the first half of current year (1H2022) and the first half of last year (1H2021)

Notes:

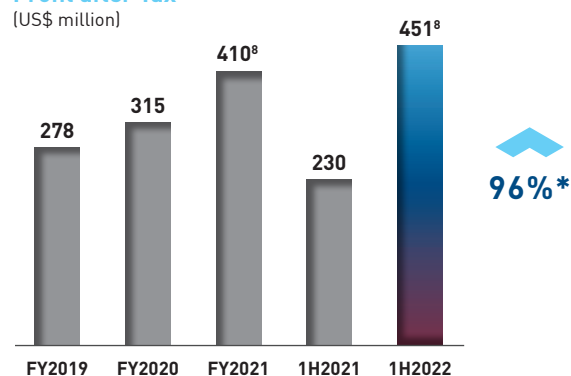
1. Excludes amortisation of intangibles and transaction costs relating to ARA and M&A related items such as bargain purchase and financial instruments in relation to certain associates
2. Excludes fair value on completed investment properties, share-based compensation expense and tax effects of adjustments. Refer to non-IFRS measures reconciliation in page 95
3. Based on constant FX translation as of 31 December 2021 for a like-for-like comparison. Based on FX translation as of 30 June 2022, total AUM would be US\$138 billion (US\$11 billion FX translation impact). Includes ESR Data Centre Fund 1 which was disclosed in a news release dated 25 July 2022
4. Based on 4,464,008,466 of total outstanding issued shares as at 30 June 2022
5. On 25 August 2022, the board of directors declared an interim dividend of HK\$12.5 cents (approximately 1.6 US cents per share) per ordinary share for the financial year ending 31 December 2022, amounting to a total of approximately US\$70 million

Adjusted EBITDA⁶

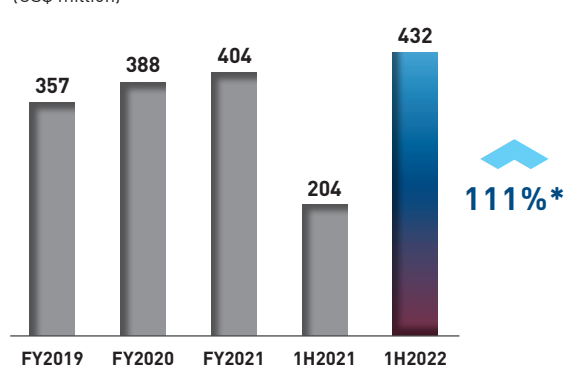
(US\$ million)

**Profit after Tax**

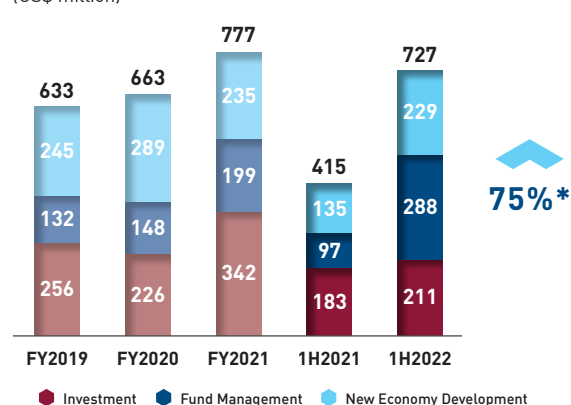
(US\$ million)

**Revenue**

(US\$ million)

**Total Segmental Result**

(US\$ million)

**BALANCE SHEET (US\$ million)****Full Year Ended 31 December****Six Months Ended 30 June**

	FY2019	FY2020	FY2021	1H2021	1H2022
Total assets	6,352	7,687	9,338	8,550	16,388
Cash and bank balances	884	1,515	1,638	1,133	2,015
Bank and other borrowings	2,571	3,295	4,248	3,753	4,949
Net debt ⁷	1,687	1,780	2,610	2,620	2,934
Net debt/total assets	26.6%	23.2%	27.9%	30.6%	17.9%

Notes:

6. Adjusted EBITDA is calculated as profit before tax, adding back depreciation and amortisation, exchange loss/(gain), finance costs, share-based compensation expenses, and the listing expenses, and eliminating the effect of interest income, and fair value gains on completed investment properties and investment properties under construction and transaction costs relating to ARA

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

8. Excludes transaction costs and amortisation relating to intangible assets (net of tax) arising from the acquisition of 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 in page 95

1H2022

OPERATIONAL HIGHLIGHTS

STRONG FUNDRAISING FROM CAPITAL PARTNERS

RAISED
US\$3.9 billion¹
 > 80% New Economy focused

DRY POWDER
US\$17.9 billion¹
 of undrawn capital
 available to be deployed

CAPITAL RECYCLING

RECORD DIVESTMENTS
US\$1.4 billion²
 of balance sheet assets
 >2x annual target

GROWTH SUPERCHARGED BY NEW ECONOMY

NEW ECONOMY AUM
US\$67 billion^{1,3}

RECORD LEASING
2.0 million sqm⁴
 of logistics space leased
 across portfolio

E-COMMERCE AND 3PLS REMAIN KEY
 DEMAND DRIVERS REPRESENTING
76%⁴
 of new leases signed in 1H2022

Notes:

1. Includes ESR Data Centre Fund 1 which was disclosed in a news release dated 25 July 2022
2. Includes the sell-down of RMB4.9 billion China balance sheet portfolio as announced on 3 July 2022
3. Based on constant FX translation as of 31 December 2021 for a like-for-like comparison. Based on FX translation as of 30 June 2022, New Economy AUM would be US\$63 billion (US\$4 billion FX translation impact)
4. New Economy assets only. Based on stabilised assets on balance sheet and portfolio assets held in the funds and investment vehicles as at 30 June 2022
5. Weighted by AUM of each respective country



STRONG PORTFOLIO FUNDAMENTALS⁴

96%

Portfolio Occupancy

5.8%⁵

Portfolio rental reversion

4.9 years

Well-staggered portfolio weighted average lease expiry (by income)

MARKET LEADING NEW ECONOMY DEVELOPMENT PIPELINE⁴

WORK-IN-PROGRESS

US\$12.0 billion

APAC's largest development workbook
>90% focused on high value projects in key gateway cities

US\$3.5 billion

of development starts

US\$2.0 billion

of development completions

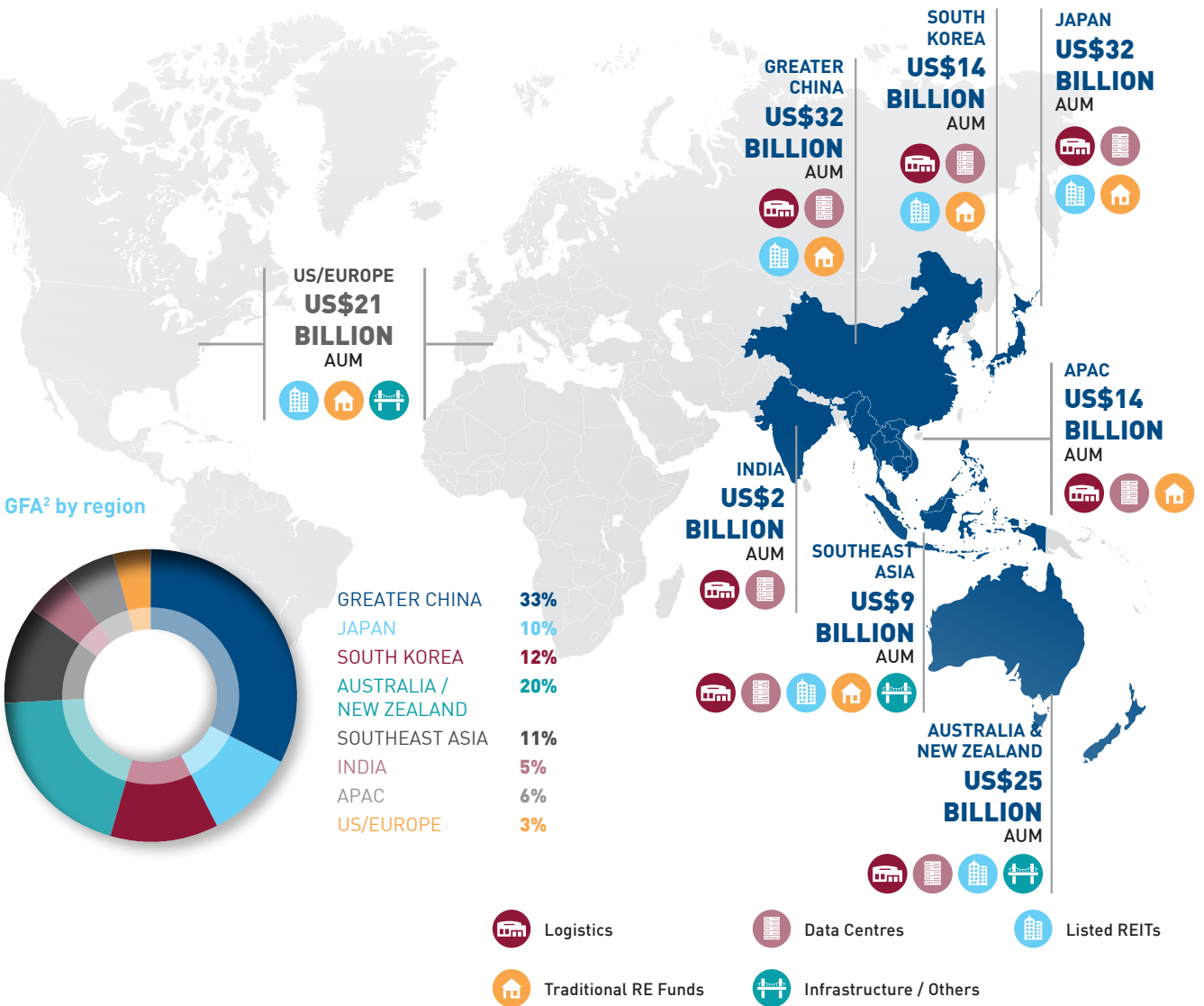
OVERVIEW OF ESR GROUP

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

ABOUT ESR GROUP

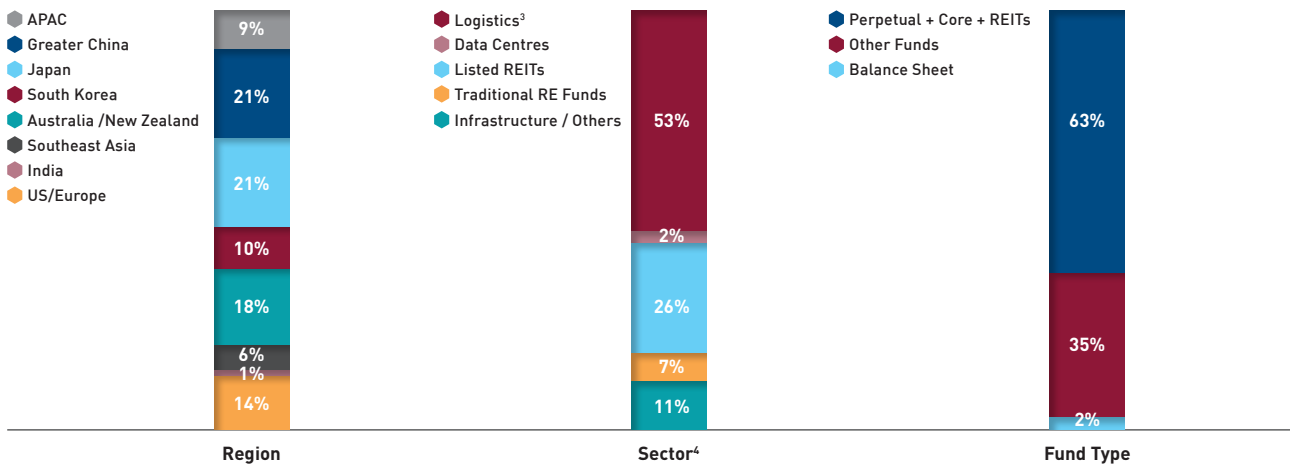
ESR is APAC's largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally. With US\$149 billion¹ in total assets under management (AUM), our fully integrated development and investment management platform extends across key APAC markets, 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. 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.











APAC'S LARGEST REAL ASSET MANAGER

AUM¹ Composition



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

<p>#1 REAL ASSET MANAGER IN APAC</p>  <p>US\$149 BILLION¹ AUM</p>	<p>POWERED BY THE NEW ECONOMY</p>  <p>US\$67 BILLION¹ NEW ECONOMY AUM</p>	<p>WITH A FULL SUITE OF INVESTMENT SOLUTIONS</p>  <p>US\$45 BILLION PUBLIC REITS</p>	<p>AND A GLOBAL FOOTPRINT WITH A LEADING APAC PRESENCE</p>  <p>42 MILLION SQM OF GFA²</p>
 <p>12 of Top 20 GLOBAL LP RELATIONSHIPS</p>	 <p>>1,200MW DATA CENTRE PIPELINE⁶</p>	 <p>63% PERPETUAL + CORE CAPITAL⁵ WITH 13 LISTED REITS</p>	 <p>28 COUNTRIES; ~84% OF ASSETS ALLOCATED IN APAC</p>

Notes:

- Based on constant FX translation as of 31 December 2021 for a like-for-like comparison. Based on FX translation as of 30 June 2022, total AUM would be US\$138 billion (US\$11 billion FX translation impact) and New Economy AUM would be US\$63 billion (US\$4 billion FX translation impact). Includes ESR Data Centre Fund 1 which was disclosed in a news release dated 25 July 2022
- Excludes assets managed by associates
- Includes ESR-LOGOS REIT and ESR Kendall Square REIT
- Excludes the AUM of associates (Cromwell and Kenedix) as of 30 June 2022
- Includes the AUM of associates (Cromwell and Kenedix) as of 30 June 2022
- As of 30 June 2022

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 US\$149 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 Ecosystem

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, 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 partner 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, access to capital, strategic land holdings and tenant relationships.

FOCUS

1 Capitalise on significant market opportunities across Asia Pacific

2 Leverage our scale and geographic presence to expand into new growth markets

3 Expand our fund management platform and attract new capital partners while bringing existing capital partners across markets

4 Strategically explore and expand into adjacent businesses and investment products within Asia

PRIORITIES

- 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
- 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
- Focus on building and strengthening long-term tenant relationships
- 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
- Harness the network effect to attract capital partners across Asia Pacific
- Tap on our ecosystem of shareholders, capital partners, local teams and tenants to penetrate adjacent businesses

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

During 1H2022, ESR continued to deliver stellar financial and operational results on the back of strong secular trends such as sustained e-commerce demand amidst pandemic-led supply disruptions and accelerated growth of data consumption. ESR's outstanding set of results is a testament to the Group's strong business fundamentals, as well as unmatched scale and breadth of our APAC-focused investment platform and New Economy infrastructure as an enlarged Group, combined with the recent successful acquisition and integration of ARA and LOGOS (the "Enlarged Group").

The comparative financial information for 1H2021 set out in this report are based on the Company's consolidated financial results for 1H2021 as reported in the Company's announcement dated 19 August 2021. As announced on 20 January 2022, the Company completed the acquisition of ARA on 20 January 2022, following which the financial results of ARA have been consolidated into the accounts of the Company. A comparison of the Group's 1H2022 financial information with the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for 1H2021 as set out in the Company's circular dated 18 October 2021 and the unaudited pro forma consolidated statement of financial position of the Enlarged Group as of 31 December 2021 as set out in the Company's 2021 annual report published on 29 April 2022 are included in the Company's 1H2022 financial results presentation, which is available on the Company's website at www.esr.com and which can also be accessed through the QR code below.

Supported by its well-established fund management platform and ongoing fundraising growth momentum, the Group's total AUM increased 312% year-on-year to US\$149 billion¹. On a pro forma Enlarged Group basis, the Group's total AUM increased 14% year-on-year, while New Economy AUM accelerated 23% year-on-year to US\$67 billion¹. Following the successful accretive acquisition of ARA, EPS² growth was 31.8% year-on-year despite the enlarged share base.

Maiden Dividend Declaration

The Board declared a maiden interim dividend of HK\$12.5 cents per share (approximately 1.6 US cents per share) (which implies a 1.3%³ yield) for the financial year ending 31 December 2022, amounting to approximately US\$70 million, which will be paid to Shareholders on Friday, 30 September 2022. The distribution of a dividend follows the announcement of the adoption of the Group's Dividend Policy in July 2022, underscoring the Group's commitment to deliver returns and continued growth to its shareholders.

Exceptional fund management performance fuelled by strong capital support

ESR Fund Management segment continued to record new highs in terms of performance, given the strong capital entrustment from its capital partners. Fund management EBITDA^{2,4} increased 196.4% to US\$288 million, driven by high recurring fee revenue from higher AUM, record development, leasing fees and solid promote fees.

This was even a stronger result as the first half 2021 Fund Management EBITDA (on a pro forma Enlarged Group basis) was a very robust period for comparison given that it delivered higher EBITDA than in the second half of 2021 (on a pro forma Enlarged Group basis). Segment growth was driven by the exceptional growth momentum of the Group's fund AUM which rose 14% to US\$146 billion¹ on a normalised basis as well as the record development starts and leasing fees. New Economy AUM grew 23% year-on-year to US\$67 billion¹.

The Group continues to see strong capital flows into logistics from global institutional investors who are seeking to strategically rebalance their portfolios into New Economy sectors. Supported by the deep capital partner relationships and track record the Group has established, the Group raised US\$3.9 billion through 15 new or upsized funds and mandates, representing a 56% year-on-year growth, of which over 80% of new capital



esr.com
Investor Relations
Presentations & Webcast

Notes:

1. Based on constant FX translation as of 31 December 2021 for a like-for-like comparison. Based on FX translation as of 30 June 2022, total AUM would be US\$138 billion (US\$11 billion FX translation impact), total Fund AUM would be US\$135 billion (US\$11 billion FX translation impact), and New Economy AUM would be US\$63 billion (US\$4 billion FX translation impact). Includes ESR Data Centre Fund 1 which was disclosed in a news release dated 25 July 2022
2. Excludes amortisation of intangibles and transaction costs relating to ARA and M&A related items such as bargain purchase and financial instruments in relation to certain associates.
3. Based on closing share price of HK\$19.12 as of 24 August 2022; on an annualised basis
4. Reclassification of Cromwell under Investment segment to reflect the current asset heavy nature of the investment

raised focused on New Economy. This includes the newly launched Pan Asia discretionary development vehicle and the Group's inaugural US\$1 billion APAC data centre fund which comprises a development pipeline of eight seed projects with 260 megawatts of capacity. ESR also entered into a US\$1 billion joint venture with a leading global institutional investor following the sell down of ESR's balance sheet assets in China, and in South Korea, ESR also upsized its second development joint venture with APG and Canada Pension Plan Investment Board ("CPP Investments") by up to US\$1 billion for investment in and development of a best-in-class industrial and warehouse logistics portfolio. As of 30 June 2022, the Group had US\$17.9 billion (includes ESR Data Centre Fund 1 which was disclosed in a news release dated 25 July 2022) of dry powder capital to deploy in new investments.

Record development starts fuel APAC's largest development workbook

ESR has over 42 million sqm of GFA in operation and under development across its portfolio which includes a sizeable landbank of over 4.4 million sqm for future development as of 30 June 2022. Given the record low vacancy rates across the portfolio, the Group had substantially increased its development starts by 109% year-on-year to US\$3.5 billion. This was further complemented by US\$2.0 billion in development completions, an increase of 51% year-on-year. On the back of that continued progress, the Group has US\$12 billion in development work-in-progress, the largest development workbook in APAC.

- In Japan, the Group is developing the ESR Yokohama Sachiura Logistics Park in Greater Tokyo. The multi-phase development provides approximately 720,000 sqm logistics space over four phases, set to be the largest logistics park (by value) in Japan and one of the largest ever developed (by value) in APAC upon completion. Its second phase, ESR Yokohama Sachiura Distribution Centre 2, commenced construction in June 2021 and is scheduled for completion in January 2023.
- The Group is developing a US\$1.5 billion multi-phase logistics park, ESR Kawanishi Distribution Centre, on a 505,647 sqm site in Greater Osaka, unveiling one of the largest and most significant urban rezoning developments to accommodate Japan's ongoing expansion in e-commerce driven New Economy real estate.

- LOGOS and its partners are in the process of developing the US\$3 billion Moorebank Logistics Park, Australia's largest intermodal logistics facility at Moorebank in south-western Sydney, into high quality industrial property and infrastructure including initial approval for 850,000 sqm of warehouse opportunities directly adjacent to key rail intermodal facilities being developed by Qube Holdings Limited with direct linkage to Port Botany and the regional New South Wales and interstate rail networks.
- In Singapore, ESR is partnering with PGIM Real Estate in a built-to-suit redevelopment to build a 64,490 sqm logistics facility for POKKA, which has signed a 10-year lease to commit a minimum of 70% of the building space.

Key development starts in 1H2022 included the Sime Darby JV (Malaysia), Moorebank Phase II (Australia), Busan New Port (South Korea), ESR Green Link Estate (Australia) and Kunshan Zhonggang (China). Key development completions included ESR Yokohama Sachiura Distribution Centre 1 in Greater Tokyo and Phases 1 and 2 of Opo Logistics Park in Greater Seoul. ESR KendallSquare, ESR's South Korean platform, completed a total of 520,000 sqm of Class A logistics space in South Korea during the first half of 2022, constituting approximately half of the Group's completions. The logistics space was fully pre-leased to high quality tenants, including of the largest e-commerce companies in Korea and the logistics arm of a major electronics provider amongst others.

Strong operational and robust leasing performance with near zero vacancy rates in mature markets

The Group achieved strong leasing progress for 1H2022 with a record of over 2.0 million sqm of space leased. This was primarily driven by e-commerce acceleration and supply chain resilience which continues to generate demand for modern, institutional-grade logistics facilities in key gateway markets. Portfolio occupancy reached an all-time high at 96% (99% ex-Greater China)⁵, with close to full occupancies in most markets. High occupancy rates are underpinning strong rental growth in many of the markets in which we operate, as the Group achieved an overall positive weighted average portfolio rental reversion of 5.8%⁵ across the New Economy

Note:

5. New Economy assets only. Based on stabilised assets on balance sheet and portfolio assets held in the funds and investment vehicles as of 30 June 2022

MANAGEMENT DISCUSSION & ANALYSIS

portfolio. The Group's portfolio has a weighted average lease expiry ("WALE") (by income) of 4.9 years⁵ and coupled with relatively subdued supply in many of the markets in which it operates, the Group expects to be able to continue to capture strong rental reversions. 40% of ESR's expiring leases are due within the next 30 months, positioning the Group well to benefit from the outsized rental growth across its major markets.

Strong commitment to a robust balance sheet and an accelerating asset light strategy

The Group continues to take a disciplined approach to financial positioning with a well-capitalised balance sheet with US\$2.0 billion of cash, and a low net gearing of 17.9%⁶. The Group continues to expand and proactively diversify its funding and capital structure.

- 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 plus 2.25% and Libor plus 2.75% for three-year and five-year tranches respectively.
- In January 2022, the Group closed a five-year JPY28 billion SLL which was upsized to JPY32.5 billion at Tibor plus 1.8%.
- In May 2022, the Group closed a five-year S\$300 million SLL at SORA plus 1.65%

The Group remains focused on its capital recycling strategy and asset-light approach. In 1H2022, the Group divested over US\$1.4 billion of its balance sheet investments primarily in China to ESR managed funds, exceeding the Group's annual capital recycling target. The sell down of over 873,000 sqm portfolio in China represented the Group's largest self-developed balance sheet sell down to date. The Group also executed on the successful tender of its 18.16% holding in China Logistics Property Holdings Co., Ltd (CNLP; SEHK Stock Code: 1589) in May 2022, receiving US\$349 million in proceeds, and crystallising a strong return on this four-year investment.

Best-in-class practices to drive Environmental, Social and Governance ("ESG") initiatives across the Enlarged Group

The Group has made great progress on its ESG efforts set out in the ESG 2025 Roadmap. To date, the Group has closed a total of approximately US\$2.5 billion in SLL, reinforcing the Group's sustainable financing and operations, as it continued to integrate ESG into its financial management, operations and future planning. In June 2022, ESR became a signatory to the United Nations-supported Principles for Responsible Investment ("PRI"), reinforcing its commitment to adopting and

promoting responsible investment practices. On diversity and inclusion, the Group continues to have strong female representation of over 40% across its workforce and 60% of its independent non-executive directors who are women.

Sustainability features are increasingly being incorporated in the development of ESR's assets. The Group is working to increase the deployment of rooftop solar power generation across the portfolio, with a target of 50% increase in solar power generation by 2025. Approximately 100 MW of rooftop solar capacity is being set up, including projects planned for this year. To further such commitment and efforts, the Group has commissioned ongoing third-party solar feasibility studies to increase renewable energy performance across the portfolio, leading to improved efficiency of tenants' operations. In June 2022, the Group signed a memorandum of understanding with CLP Power Hong Kong Limited and CLPe Group to leverage their energy and infrastructure solutions expertise to develop sustainable data centres and logistics centre in Hong Kong. In addition, ESR is the first real asset manager to work with Enerbank in Japan to provide environmental value to tenants with the country's authorised Green Energy Certificate system, with ESR's self-generated solar power from its facilities now recognised as part of the power grid in Japan in exchange for renewable energy consumption.

LOOKING AHEAD

The Group remains confident in the strong fundamentals and future prospects for real assets. E-commerce acceleration and digital transformation will continue to drive demand for logistics infrastructure and data centres. Moreover, global investors are increasingly consolidating their relationships towards a limited number of large-scale managers and allocating more capital to a smaller roster of platforms. Capitalising on these trends, ESR is firmly focused on accelerating its growth in size, scale and offerings.

Globally, especially in Asia Pacific, economies are rebounding as many pandemic related restrictions have been eased. The Group will continue to focus on meeting the outsized demand for logistics, industrial and life science space as a part of a renewed push by governments to onshore key activities. Additionally, the Group will continue to scale up its data centre efforts to deliver on the critical need for digital infrastructure across APAC. With its unique multi-asset class exposure and market leadership positions in APAC, the Group is poised to deliver a fully integrated one-stop solution to leading global capital partners and customers. While the Group remains cautious about the changing external environment, the Group is in a strong position to weather any unforeseen headwinds and further capitalise on opportunities that may present themselves.

Note:

6. Net Debt / Total Assets as of 30 June 2022

FINANCIAL REVIEW

ESR has continued its strong momentum and delivered outstanding performance during 1H2022 as below:

- Revenue increased by 111.2% from US\$204.4 million in 1H2021 to US\$431.7 million in 1H2022;
- EBITDA increased by 70.6% from US\$373.4 million in 1H2021 to US\$637.1 million in 1H2022;
- Adjusted EBITDA increased by 136.6% from US\$214.8 million in 1H2021 to US\$508.2 million in 1H2022; and
- PATMI (adjusted)⁷ increased by 92.6% from US\$213.9 million in 1H2021 to US\$412.0 million in 1H2022.

As of 30 June 2022, the Group had a robust and well-capitalised balance sheet with US\$2.0 billion in cash and net debt over total assets of 17.9%.

REVENUE

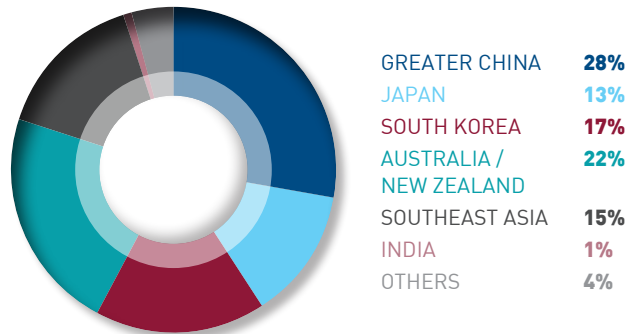
The Group’s revenue grew 111.2% from US\$204.4 million in 1H2021 to US\$431.7 million in 1H2022. Total group revenue (ex-construction) increased by 142.9% from US\$177.7 million in 1H2021 to US\$431.6 million in 1H2022, mainly from higher management fee.

Management fee increased by 199.5% from US\$123.9 million in 1H2021 to US\$371.0 million in 1H2022. This is driven by AUM growth and contribution from the ARA acquisition.

Construction revenue were from outstanding projects executed after the disposal of construction arm by ESR Australia in September 2020. Overall construction revenue decreased by 99.4% from US\$26.7 million in 1H2021 to US\$0.1 million in 1H2022. Accordingly, cost of sales also dropped correspondingly from US\$30.9 million in 1H2021 to US\$9.3 million in 1H2022.

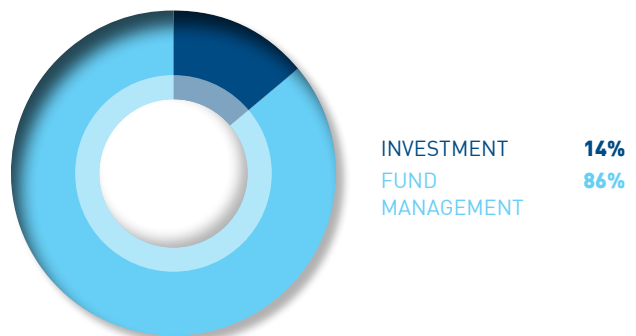
Geographically, the Group’s top markets in Greater China, Japan, South Korea, Southeast Asia and Australia and New Zealand accounted for 94.7% of the Group’s revenue for 1H2022. The other markets, including India, made up the remaining 5.3% of revenue for 1H2022.

1H2022 Revenue Contribution By Region*



* Excludes construction revenue

1H2022 Revenue Contribution By Segment



PATMI AND EBITDA

EBITDA increased by 70.6% from US\$373.4 million in 1H2021 to US\$637.1 million in 1H2022. PATMI (adjusted)⁷ grew 92.6% from US\$213.9 million in 1H2021 to US\$412.0 million in 1H2022. Higher PATMI (adjusted)⁷ and EBITDA were driven by the growth in the Group’s fund management AUM as well as co-investments in associates and joint ventures.

The Group recorded fair value gain on investment properties of US\$162.9 million for 1H2022 (1H2021: US\$165.9 million), contributed from the Group’s assets in China and Japan.

Note:

7. Excluding costs related to ARA acquisition of US\$23,091,000 and amortisation relating to intangible assets arising from acquisition of ARA (net of tax effects) of US\$8,329,000. PATMI (adjusted) is non-IFRS measures

MANAGEMENT DISCUSSION & ANALYSIS

The Group's share of profits from joint ventures and associates increased by 85.5% from US\$78.1 million in 1H2021 to US\$145.0 million in 1H2022. The increase is mainly due to higher share of profits from the Group's investments in China and Australia, as well as contributions from ARA's joint ventures and associates to the Group's results subsequent to their acquisition.

The Group's weighted average interest rate cost as of 30 June 2022 was 3.8% as compared to 4.6% as of 30 June 2021. Overall finance cost increased by 24.4% from US\$79.8 million in 1H2021 to US\$99.3 million in 1H2022 in line with the increase in total borrowings from US\$3.7 billion as at 30 June 2021 to US\$4.9 billion as at 30 June 2022, mainly arising from consolidation of ARA.

Administrative expenses increased by 146.9% from US\$96.8 million in 1H2021 to US\$238.9 million in 1H2022. The increase is primarily from consolidation of ARA's administrative expenses and transaction costs related to the acquisition of ARA.

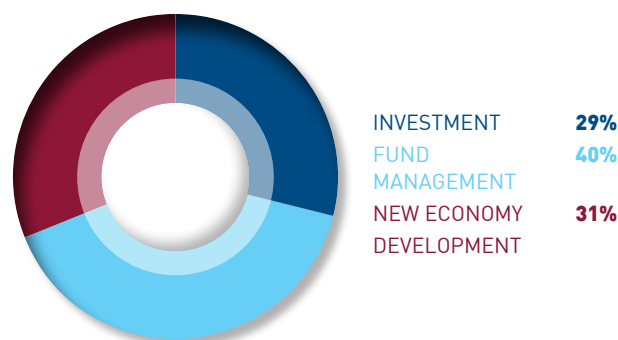
SEGMENT RESULTS

Investment segment results increased by 15.1% from US\$183.1 million in 1H2021 to US\$210.8 million in 1H2022, supported by higher co-investment income, rental growth and dividend income. Higher 1H2022 investment segment results contributed by higher dividend income and addition of share of associates' profits subsequent to ARA acquisition; partially offset by reduced share of co-investment income due to sell down of Korea assets into K-REIT in 2H2021 and lower relative fair value gain from existing balance sheet assets (including Cosmosquare).

Fund management segment results increased by US\$190.8 million or 196.4% from US\$97.1 million in 1H2021 to US\$287.9 million in 1H2022. The increase was driven by higher recurring fee revenue from higher AUM, record development and leasing fees and solid promotes. The Group's fund management segment also benefitted from ARA's recurring and stable fee revenue.

New Economy development segment results increased by 69.1% from US\$135.3 million in 1H2021 to US\$228.7 million in 1H2022. The increase was underpinned by growth of record work-in-progress that yield significant contributions from fair value gains on projects under development, share of development profits of joint ventures and associates and substantial development completions (US\$2 billion). This was further enhanced by a disposal gain of Kemps Creek, an Australian development asset to an ESR-managed fund.

1H2022 Segmental Results (EBITDA)



Segmental Results EBITDA	1H2022		1H2021		Variance*	
	US\$ million	%	US\$ million	%	US\$ million	%
Investment	211	29%	183	44%	28	15%
Fund Management	288	40%	97	23%	191	196%
New Economy Development	229	31%	135	33%	93	69%

* Year-on-Year ("YoY") change % represents a comparison between the first half of current year (1H2022) and the first half of last year (1H2021).

ASSETS

The Group had a robust and well-capitalised balance sheet with US\$2.0 billion in cash and bank balances. As of 30 June 2022, the Group had cash and bank balances that were denominated in foreign currencies. The cash and bank balances are primarily denominated in USD, HKD, SGD, RMB, JPY and AUD. Total assets increased from US\$9.3 billion as of 31 December 2021 to US\$16.4 billion as of 30 June 2022. The increase in total assets was mainly driven by the acquisition of ARA in January 2022.

Investment properties decreased by 14.5% to US\$3.2 billion as of 30 June 2022 (31 December 2021: US\$3.7 billion). The decrease was mainly due to reclassification of the Group's portfolio of logistics and warehousing facilities in China to be disposed of to a new China Income Venture as disclosed in the announcement made on 3 July 2022.

Investment in joint ventures and associates increased by 101.0% to US\$2.7 billion as of 30 June 2022 (31 December 2021: US\$1.3 billion). The increase is mainly contributed by the Group's acquisition of the investments in joint ventures and associates held by ARA.

Increase in goodwill from US\$0.5 billion as of 31 December 2021 to US\$3.4 billion as of 30 June 2022 is mainly attributed to the goodwill arising from the acquisition of ARA.

Financial assets at fair value through other comprehensive income ("FVOCI") increased by 28.7% to US\$1.0 billion (31 December 2021: US\$0.8 billion). The increase is mainly from ARA's investments in FVOCI, offset by the disposal of shares in China Logistics Property Holdings Co., Ltd. in May 2022.

LIABILITIES

Total bank and other borrowings as of 30 June 2022 were US\$4.9 billion compared to US\$4.2 billion as of 31 December 2021. With cash and bank balance of US\$2.0 billion, the net debt to total assets as at 30 June 2022 were 17.9% (31 December 2021: 27.9%).

During the period, the Group continued to expand and diversify its funding and capital structure with additional major borrowings below to support the Group's investments and ongoing development:

- In November 2021, the Group closed its first SLL of US\$700 million which was subsequently upsized to US\$1 billion at Libor plus 2.25% and Libor plus 2.75% for three-year and five-year tranches respectively.
- In January 2022, the Group closed a JPY28 billion SLL which was upsized to JPY32.5 billion at Tibor plus 1.8% for a five-year tranche.
- In May 2022, the Group closed a five-year S\$300 million SLL at SORA plus 1.65%.



MANAGEMENT DISCUSSION & ANALYSIS

TOTAL EQUITY

Total equity increased from US\$4.4 billion as of 31 December 2021 to US\$9.4 billion as of 30 June 2022. This is primarily due to the increase in share premium by US\$4.3 billion from the issuance of new shares for ARA acquisition, consolidation of perpetual securities issued by ARA and net profits for the six months ended 30 June 2022 of US\$419.7 million.

The above increases are partially offset by currency translation losses on the Group's operations in Japan, China and Korea during the period due to the strengthening of US dollars against the respective local currencies; as well as mark-to-market losses adjusted based on quoted market prices relating to the Group's investments (classified as financial assets through other comprehensive income).

CAPITAL MANAGEMENT

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

The Group's total borrowings as at 30 June 2022 were US\$4.9 billion. The Group continues to take a disciplined approach to financial positioning with a well-capitalised balance sheet with US\$2.0 billion of cash, and a low net gearing of 17.9% as of 30 June 2022. The Group continues to expand and proactively diversify its funding and capital structure.

The Group monitors its debt maturity profile regularly. It also ensures sufficient cash reserves are maintained and disciplined in refinancing existing borrowings to meet the Group's short-term obligations, ongoing developments, and investment opportunities. As at 30 June 2022, the Group's weighted average debt maturity is approximately 4.8 years.

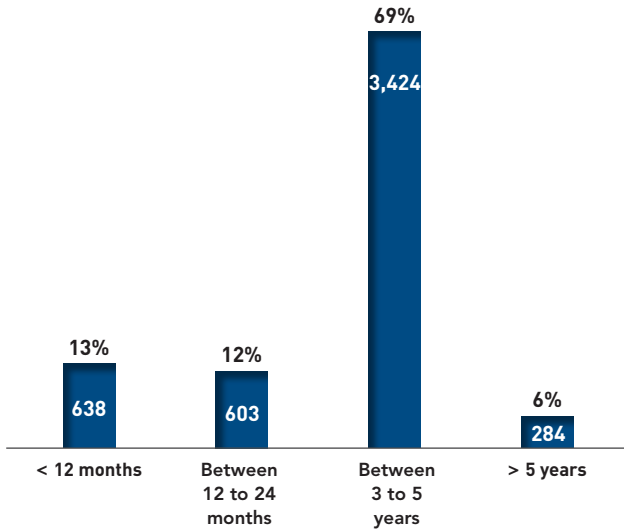
As of 30 June 2022, the Group's weighted average interest rate was 3.8%; and 15% of the Group's borrowings was on fixed rate while the remaining 85% was on floating rate basis.



ESR Yatomi Kisosaki Distribution Centre, Japan

Debt Maturity Profile (US\$ million)

As at 30 June 2022



The Group has exposures to foreign exchange rate fluctuations from subsidiaries, associates and joint ventures from China, Japan, South Korea, Australia, Southeast Asia and India. The Group manages its foreign currency exposures by natural hedges at both project and corporate levels. Operating and development activities of each countries are mainly funded through project level debts and operating income that are in their respective local currencies. At the corporate level, the Group currently funds some of its investments through corporate borrowings in the currency of the country in which the investment is located.

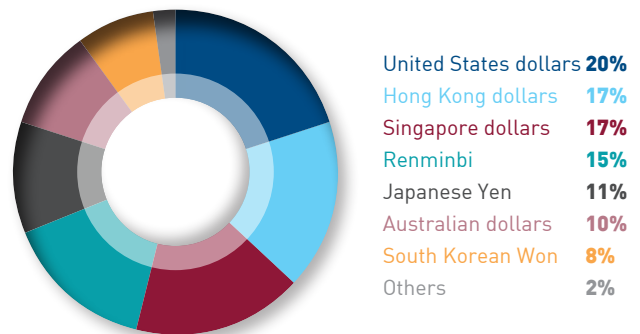
In managing the interest rate profile, the Group considers interest rate outlook and holding periods of its investment profile.

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 at 30 June 2022, currency profile of the Group's cash and bank balances; and bank and other borrowings are as below:

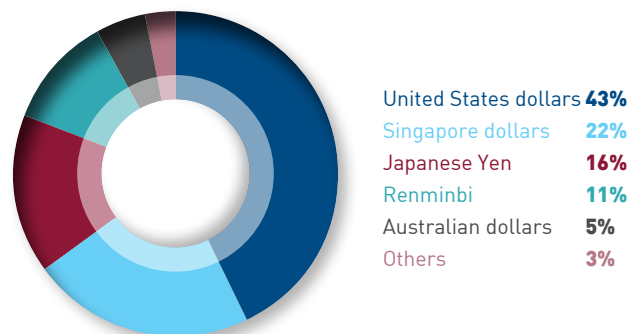
Cash and Bank Balances

As at 30 June 2022



Bank and Other Borrowings

As at 30 June 2022



CHARGE OF ASSETS

As of 30 June 2022, 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 15 to the unaudited condensed consolidated financial information. Except for the aforementioned charges, all the Group's assets are free from any encumbrances.

CONTINGENT LIABILITIES

As at 30 June 2022, neither the Group nor the Company had any significant contingent liabilities.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2022, the interests and short positions of the Directors and chief executives of the Company in the ordinary shares (the "Shares"), underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("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 of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") are as follows:

Interests in the Company

Name of Director	Capacity/nature of interest	Number of Shares held <i>(Note 1)</i>	Approximate percentage of shareholdings as at 30 June 2022
Mr Jinchu Shen	Interest of controlled corporations <i>(Note 2)</i>	319,658,645(L)	
	Beneficial owner <i>(Notes 6 & 7)</i>	1,171,500(L)	
		320,830,145(L)	7.19%
Mr Stuart Gibson	Interest of controlled corporations <i>(Note 4)</i>	453,272,219(L)	
	Interest of spouse	73,000(L)	
	Beneficial owner <i>(Notes 6 & 7)</i>	1,171,500(L)	
		454,516,719(L)	10.18%
Mr Charles Alexander Portes	Interest of controlled corporations <i>(Note 4)</i>	453,272,219(L)	10.15%
		<i>(Note 5)</i>	
Mr Hwee Chiang Lim	Interest of controlled corporations <i>(Note 8)</i>	203,969,969(L)	
	Beneficial owner	8,402,959(L)	
		212,372,928(L)	4.76%
Ms Jingsheng Liu	Beneficial owner	69,200(L)	0.00%
Mr Robin Tom Holdsworth (retired on 1 June 2022)	Beneficial owner	8,000(L)	0.00%

Notes:

- The Letter "L" denotes the long position in the Shares.
- 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.
- Inclusive of the interest in 7,799,856 Shares underlying the share options pursuant to the Tier 1 ESOP.
- 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) Limited respectively, of which Kurmasana Holdings, LLC is wholly-owned by Redwood Investor (Cayman) Limited and the voting rights of Redwood Investor (Cayman) Limited are controlled as to 50% and 50% by Mr Charles Alexander Portes and Mr Stuart Gibson, respectively. Hence, each of Mr Charles Alexander Portes, Mr Stuart Gibson, Redwood Investor (Cayman) Limited and Kurmasana Holdings, LLC will be deemed to be interested in the Shares held by Redwood Investment Company, Ltd.. Besides, as at 30 June 2022, 32,750,882 Shares (inclusive of the interest in 16,899,687 Shares underlying the share options pursuant to the Tier 1 ESOP, which are physically settled unlisted derivatives) were held by Redwood Consulting (Cayman) Limited ("Redwood Consulting") as beneficial owner. Redwood Consulting 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.
- Inclusive of the interest in 16,899,687 Shares underlying the share options pursuant to the Tier 1 ESOP, which are physically settled unlisted derivatives.

6. This represents 192,000 options to subscribe for Shares granted under the Post-IPO Share Option Scheme to each of Mr Jinchu Shen and Mr Stuart Gibson. The options granted to Mr Jinchu Shen are physically settled unlisted derivatives, and the options granted to Mr Stuart Gibson are unlisted derivatives which are not physically or cash settled.
7. This represents 979,500 Shares underlying the PSUs under the Long Term Incentive Scheme granted to each of Mr Jinchu Shen and Mr Stuart Gibson. All the Shares granted to Mr Jinchu Shen and Mr Stuart Gibson are unlisted derivatives which are not physically or cash settled. The number of shares underlying the PSUs is based on 150% of the initial number of Shares subject to the PSUs. The vesting of the PSUs is subject to fulfilment of relevant performance conditions and the final number of Shares subject to the PSUs can vary from 0% to 150% of the initial number of Shares subject to the PSUs.
8. JL Investment Group Limited and JL Investment Group II Limited directly holds 101,984,984 Shares and 101,984,985 Shares respectively, and both companies are 100% controlled by Mr Hwee Chiang Lim.

Save as disclosed above, as at 30 June 2022, 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.

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

As at 30 June 2022, so far as the Directors and chief executives of the Company are aware, other than the interests of the Directors and chief executives of the Company as disclosed in the section titled "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures", the following persons 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 Shares / underlying Shares held (Note 1)	Approximate percentage of shareholdings as at 30 June 2022
Warburg Pincus & Co.	Interest of controlled corporations (Note 2)	591,440,160(L)	13.25%
Warburg Pincus China GP, L.P.	Interest of controlled corporations (Note 2)	591,440,160(L)	13.25%
Warburg Pincus China, L.P.	Interest of controlled corporations (Note 2)	591,440,160(L)	13.25%
Warburg Pincus Partners GP LLC	Interest of controlled corporations (Note 2)	591,440,160(L)	13.25%
Warburg Pincus Partners II, L.P.	Interest of controlled corporations (Note 2)	591,440,160(L)	13.25%
Warburg Pincus Private Equity XII, L.P.	Interest of controlled corporations (Note 2)	591,440,160(L)	13.25%
Warburg Pincus XII, L.P.	Interest of controlled corporations (Note 2)	591,440,160(L)	13.25%
WP Global LLC	Interest of controlled corporations (Note 2)	591,440,160(L)	13.25%
Alexandrite Athena GroupCo Ltd	Interest of controlled corporations (Note 2)	591,440,160(L)	13.25%
Alexandrite Gem Holdings Limited	Beneficial owner (Note 2)	503,733,253(L)	11.28%
Alexandrite Gem TopCo Ltd	Interest of controlled corporations (Note 2)	503,733,253(L)	11.28%
OMERS Administration Corporation	Beneficial owner	456,221,943(L)	10.22%
Mr Stuart Gibson	Interest of controlled corporations, interest of spouse and beneficial owner (Notes 3, 5, 6)	454,516,719(L)	10.18%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name of Shareholder	Capacity/nature of interest	Number of Shares / underlying Shares held (Note 1)	Approximate percentage of shareholdings as at 30 June 2022
Mr Charles Alexander Portes	Interest of controlled corporations (Note 3)	453,272,219(L)	10.15%
Redwood Investor (Cayman) Limited	Interest of controlled corporations (Note 3)	420,521,337(L)	9.42%
Kurmasana Holdings, LLC	Interest of controlled corporation (Note 3)	420,521,337(L)	9.42%
Redwood Investment Company, Ltd.	Beneficial owner (Note 3)	420,521,337(L)	9.42%
Mr Jinchu Shen	Interest of controlled corporations and beneficial owner (Notes 4, 5, 6)	320,830,145(L)	7.19%
Rosy Fortune Limited	Founder of a discretionary trust (Note 4)	319,658,645(L)	7.16%
Tricor Equity Trustee Limited	Trustee (Note 4)	319,658,645(L)	7.16%
Laurels Capital Investments Limited	Beneficial owner (Note 4)	319,658,645(L)	7.16%
The Capital Group Companies, Inc.	Interest of controlled corporations (Note 7)	230,275,553(L)	5.16%

Notes:

- The letter "L" denotes the long position in the Shares.
- Alexandrite Gem Holdings Limited ("Gem Holdings") and Athena Logistics Holdings Ltd. ("Logistics Holdings") held as to 503,733,253 and 87,706,907 Shares respectively.

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 Equity 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.
- Redwood Investment Company, Ltd. ("Redwood Investment") is owned as to 42% and 58% by Kurmasana Holdings, LLC and Redwood Investor (Cayman) Limited, respectively, of which Kurmasana Holdings, LLC is wholly-owned by Redwood Investor (Cayman) Limited and the voting rights of Redwood Investor (Cayman) Limited are controlled as to 50% and 50% by Mr Charles Alexander Portes and Mr Stuart Gibson, respectively. Hence, each of Mr Charles Alexander Portes, Mr Stuart Gibson, Redwood Investor (Cayman) Limited and Kurmasana Holdings, LLC is deemed to be interested in the Shares held by Redwood Investment. Besides, as at 30 June 2022, 32,750,882 Shares (representing 0.73% of the total issued shares of the Company then and inclusive of the interest in 16,899,687 Shares underlying the share options pursuant to the Tier 1 ESOP, which are physically settled unlisted derivatives) were held by Redwood Consulting (Cayman) Limited ("Redwood Consulting") as the beneficial owner. Redwood Consulting 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 is deemed to be interested in Shares held by Redwood Consulting.
- Laurels Capital Investments Limited is wholly owned by The Shen Trust. The settlor of The Shen Trust is Rosy Fortune Limited, the sole shareholder of which is Mr Jinchu Shen. The trustee of The Shen Trust is Tricor Equity Trustee Limited. Rosy Fortune Limited has a deemed interest under the SFO in the Shares held by The Shen Trust in its capacity as settlor of The Shen Trust, Mr Jinchu Shen has a deemed interest under the SFO in the Shares held by The Shen Trust solely in his capacity as the sole shareholder of the settlor of The Shen Trust and Tricor Equity Trustee Limited has a deemed interest under the SFO in the Shares held by The Shen Trust in its capacity as trustee of The Shen Trust. As at 30 June 2022, 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.
- The Shares held as beneficial owner represented the 192,000 options to subscribe for Shares which are granted under the Post-IPO Share Option Scheme to each of Mr Jinchu Shen and Mr Stuart Gibson. The options granted to Mr Jinchu Shen are physically settled unlisted derivatives, and the options granted to Mr Stuart Gibson are unlisted derivatives which are not physically or cash settled.

6. The Shares held as beneficial owner represented the 979,500 Shares underlying the PSUs under the Long Term Incentive Scheme granted to each of Mr Jinchu Shen and Mr Stuart Gibson. All the Shares granted to Mr Jinchu Shen and Mr Stuart Gibson are unlisted derivatives which are not physically or cash settled.
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, 4,615,400 Shares and 619,400 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 224,238,353 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 30 June 2022, the Directors were not aware of any persons (who were not Directors or chief executives 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.

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 six months ended 30 June 2022, the Company has issued 1,458,829 ordinary shares under the KM ESOP.

(iv) Maximum number of shares

At 30 June 2022, 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 18,371,035 Shares (approximately 0.41% of the issued share capital of the Company as at 30 June 2022).

(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").

CORPORATE GOVERNANCE AND OTHER INFORMATION

- (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.
- (viii) **Subscription price for the shares, consideration for the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid**
An option may be exercised in full or in part in accordance with the terms of the KM ESOP by delivering to the address of the Company a written notice of exercise in the prescribed form. The participant may, to the extent permitted by the Company and any applicable laws or regulations, also elect one of the following:
- (a) provide evidence to the satisfaction of our Company that it has received or will receive as soon as practicable payment in full of the Exercise Price for the aggregate number of Shares over which the option is to be exercised; or

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

(ix) Basis of determining the exercise price

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

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

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

(xi) Exercise price, grant date and vesting schedule

Exercise price (USD)	Grant date	Vesting Period	Number of options			
			Held at 1 January 2022	Exercised during the period	Cancelled during the period	Held at 30 June 2022
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	5,194,760	(972,292)	–	4,222,468
0.9445	January 2018	4 years	10,285,138	(800,000)	–	9,485,138
1.1453	August 2018	4 years	873,103	–	–	873,103
0.4722	February 2019	3 years	–	–	–	–
0.9445	February 2019	3 years	–	–	–	–
1.3655	February 2019	4 years	948,494	–	–	948,494
1.5172	February 2019	4 years	2,447,524	(397,250)	–	2,050,274
0.9445	May 2019	Varies from 3 to 4 years and all vested	179,769	(23,750)	–	156,019
1.5172	May 2019	4 years	626,146	(90,627)	–	535,519
			<u>20,654,954</u>	<u>(2,283,919)</u>	<u>–</u>	<u>18,371,035</u>

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

During the six months ended 30 June 2022, 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 1,458,829 ordinary shares were issued by the Company for the six months ended 30 June 2022 in satisfaction of the 2,283,919 options so exercised. The shares were issued at nominal value of US\$0.001.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 (*Note 1*), Laurels Capital Investments Limited ("**Laurels**"), and Redwood Consulting (Cayman) Limited ("**Redwood Consulting**").

(iii) Administration

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

(iv) Term of the Tier 1 ESOP

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

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

Under the Tier 1 ESOP, ordinary shares may be issued. For the six months ended 30 June 2022, no ordinary shares were issued.

(vi) Maximum number of shares

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

(vii) Exercise price

The Exercise Price is US\$0.46 per option.

(viii) Straight-line vesting

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

(ix) Conditions of exercise

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

(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;

Note:

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

- (b) except where a successor company obtains control and exchanges the options under Tier 1 ESOP for new options on economically equivalent terms, any person obtains control of our Company (i.e. acquires the right to exercise more than 50% of the controlling rights in the Company);
- (c) there is a sale of all or substantially all of the shares in our Company by way of a trade sale or by way of a sale to a third party;
- (d) there is a disposal by one or more transactions of all or substantially all of the business of the Company;
- (e) there is a sale of all or substantially all of the shares in a project company or member of the Group to which a senior manager provides services or by which a senior manager is employed, as appropriate, by way of trade sale or by way of sale to a third party or there is a disposal of all or substantially all of the business of the project company or a member of the Group to which a senior manager provides services or by which the relevant senior manager is employed; or
- (f) there is a solvent winding-up of the Company.

(xi) Lapse of an option

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

- (a) the tenth anniversary of 20 January 2016, being the completion date of the merger between e-Shang Cayman Limited, ESR Singapore Pte. Ltd. and Redwood Asian Investments Ltd., pursuant to the Merger Agreement in January 2016;
- (b) the expiry of six months following the occurrence of the date on which a court sanctions a compromise or arrangement between our Company and its Shareholders which permits exercise of the option;
- (c) the passing of an effective resolution for the voluntary winding-up of our Company (except where the winding-up is for the purpose of a reconstruction or amalgamation or other specified situation);
- (d) the expiry of one month following the making of an order by the court for the winding-up of our Company (except where the winding-up is for the purpose of a reconstruction or amalgamation or other specified situation);
- (e) the participant being deprived of the legal or beneficial ownership of the option by operation of law, or doing or omitting to do anything which causes the participant to be so deprived or being declared bankrupt; or
- (f) the participant having breached the restrictions on transfer contained in the Tier 1 ESOP.

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(xii) Rights on death or ill-health

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

(xiii) Rights on a compromise or arrangement

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

(xiv) Rights on winding up

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

(xv) Rights on reorganisation or merger

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

(xvi) Outstanding options granted under the Tier 1 ESOP

As at 30 June 2022, options to subscribe for an aggregate of 24,699,543 Shares, representing approximately 0.55% of the issued shares of the Company, are outstanding. Details of the movement of the options and holders are set out below:

Name of Participant	Held at 1 January 2022	Exercised during the period	Cancelled during the period	Held at 30 June 2022
Director				
Mr Jinchu Shen (Notes a, c)	7,799,856	–	–	7,799,856
Mr Charles Alexander Portes and Mr Stuart Gibson (Notes b, c)	16,899,687	–	–	16,899,687
	24,699,543	–	–	24,699,543

Notes:

- 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.
- The options are granted to Redwood Consulting (Cayman) Limited. Redwood Consulting (Cayman) Limited 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 is deemed to be interested in options held by Redwood Consulting (Cayman) Limited.
- The options were granted on 20 April 2017 at exercise price of US\$0.46. The vesting period of above outstanding options was 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 six months ended 30 June 2022.

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 1 November 2019 being the date of completion of the global offering of the Shares on the Stock Exchange.

During the term of the Long Term Incentive Scheme, the total number of Awards in the form of RSUs and/ or PSUs which may be granted under the Long Term Incentive Scheme together with the total number of share options which may be granted under the Post-IPO Share Option Scheme shall not exceed 10% of the total number of Shares in issue on the date of adoption of the Long Term Incentive Scheme on 2 June 2021 (i.e. up to a total of 306,004,506 Shares) (the “**Scheme Limit**”).

As at the date of this report, (a) Awards in the form of RSUs/PSUs have been granted by the Company under the Long Term Incentive Scheme in respect of a total of initially 12,378,100 Shares (or up to a maximum of 14,406,000 Shares if the performance targets relating to certain Awards of PSUs granted are achieved which would entitle the grantee to receive 150% of the initial number of Shares subject to the Award) and (b) share options have been granted by the Company under the Post-IPO Share Option Scheme in respect of a total of 18,519,600 Shares. Accordingly, as at the date of this report, a total of up to 273,078,906 Shares in the form of RSUs/PSUs under the Long Term Incentive Scheme and in the form of options under the Post-IPO Share Option Scheme remain available under the Scheme Limit, to be granted by the Company, representing 6.14% of the total number of Shares in issue.

(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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(vii) Subscription price

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

- (a) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;
- (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
- (c) the nominal value of the Shares.

(viii) Grant of options

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

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

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

(ix) Time of exercise of an option

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

(x) Duration

The Post-IPO Share Option Scheme shall be valid and effective for the period of 10 years commencing on the date of adoption of the Post-IPO Share Option Scheme. The remaining life of the Post-IPO Share Option Scheme is about 7 years and 2 months as at the date of this report.

(xi) Exercise price, grant date and vesting schedule

Date of grant	Exercise price	Closing price immediately preceding the date of grant	Vesting period	Exercise period	Held at 1 January 2022	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Held at 30 June 2022
Directors										
8 June 2022	HK\$22.78	HK\$22.50	vest in three equal tranches on each of 8 June 2022, 8 June 2023 and 8 June 2024	8 June 2022 to 7 June 2032						
Mr Jinchu Shen					-	192,000	-	-	-	192,000
Mr Stuart Gibson					-	192,000	-	-	-	192,000
			Subtotal		-	384,000	-	-	-	384,000
Management (other than Directors) and employees										
28 December 2020	HK\$27.30	HK\$27.10	vest in three equal tranches on each of 28 December 2021, 28 December 2022 and 28 December 2023	28 December 2021 to 27 December 2030	6,650,000	-	-	-	-	6,650,000
23 August 2021	HK\$24.50	HK\$23.80	vest in three equal tranches on each of 23 August 2021, 23 August 2022 and 23 August 2023	23 August 2021 to 22 August 2031	11,485,600	-	-	-	-	11,485,600
			Subtotal		18,135,600	-	-	-	-	18,135,600
			Grand total		18,135,600	384,000	-	-	-	18,519,600

During the six months ended 30 June 2022, a total of 384,000 Share Options were granted to directors under the Post-IPO Share Option scheme with a fair value on the date of grant of approximately HK\$8.88 (approximately US\$1.13) per Share Option. Details of the fair value are set out in Note 25 of the Unaudited Condensed Consolidated Financial Information.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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**”).

(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.

(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 (as defined below) 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 the 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
- (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 paragraph (a) and (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 $A \times B$, 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

CORPORATE GOVERNANCE AND OTHER INFORMATION

- (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).

(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.

- 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 a total of 306,004,506 Shares, the “**Scheme Limit**”).

(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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(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.

(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.

(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 have 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 have 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 1 June 2022 for the granting of a mandate to the Directors to grant Awards under the Long Term Incentive Scheme in respect of a maximum of 20,000,000 new Shares (the “**Scheme Mandate**”), representing 0.45% 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.

Grants of Awards to Connected Grantees

During the six months ended 30 June 2022, in respect of the 2,426,300 and 2,798,400 (including 979,500 Shares granted to each of Mr Jinchu Shen and Mr Stuart Gibson, directors of the Company) Shares underlying the RSUs and PSUs granted to the Connected Grantees respectively, the Board has appointed a professional trustee to assist with the administration and vesting of such RSUs and/or PSUs. The trustee shall make on-market purchase of Shares to satisfy such RSUs and/or PSUs upon vesting. The Company will provide sufficient funds to the trustee 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 such RSUs and/or PSUs granted.

The 2,426,300 Shares underlying the RSUs and 2,798,400 Shares underlying the PSUs granted to the Connected Grantees in total represent approximately 0.12% of the issued share capital of the Company as at 30 June 2022.

Grants of Awards to Non-connected Grantees

During the six months ended 30 June 2022, in respect of the 5,896,000 and 3,285,300 Shares underlying the RSUs and PSUs granted to the Non-connected Grantees respectively, new Shares shall be allotted and issued pursuant to the scheme mandate granted by the Shareholders at the annual general meeting of the Company held on 1 June 2022 and the terms of the Long Term Incentive Scheme.

All Non-connected Grantees are employees of the Group but are not directors or chief executive of the Group. To the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiries, none of the Non-connected Grantees is a connected person of the Company.

The 5,896,000 new Shares underlying the RSUs and 3,285,300 new Shares underlying the PSUs granted to the Non-connected Grantees in total represent approximately 0.21% of the issued share capital of the Company as at 30 June 2022; and approximately 0.21% of the total number of Shares in issue as enlarged by such allotment and issue. During the six months ended 30 June 2022, 206,267 new Shares were allotted and issued at nominal value of US\$0.001.

Save as disclosed above, no Awards have been granted since the Adoption Date and there are no outstanding Awards as at 30 June 2022.

Shares available for issue under the Long Term Incentive Scheme and the Post-IPO Share Option Scheme

As at the date of this report, (a) Awards in the form of RSUs/PSUs have been granted by the Company under the Long Term Incentive Scheme in respect of a total of initially 12,378,100 Shares (or up to a maximum of 14,406,000 Shares if the performance targets relating to certain Awards of PSUs granted are achieved which would entitle the grantee to receive 150% of the initial number of Shares subject to the Award) and (b) share options have been granted by the Company under the Post-IPO Share Option Scheme in respect of a total of 18,519,600 Shares. Accordingly, as at the date of this report, a total of up to 273,078,906 Shares in the form of RSUs/PSUs under the Long Term Incentive Scheme and in the form of options under the Post-IPO Share Option Scheme remain available under the Scheme Limit to be granted by the Company, representing 6.14% of the total number of Shares in issue.

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.

STAFF AND REMUNERATION

The Group had 2,235 employees as at 30 June 2022. 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 remuneration packages are determined with reference to the experience, level of responsibilities, time commitment and contributions of each individual, the Company's performance and the prevailing market conditions. Any discretionary bonus and other merit payments depend on the profit performance of the Group and individual performance of Directors, senior management and other employees. The remuneration levels are sufficient to attract and retain directors to run the Company successfully without paying more than necessary. The Group reviews its remuneration policy on a regular basis. During the period from 1 January 2022 to 30 June 2022, the remuneration of the Group (including salaries, retirement benefits, other welfares and post employment benefits) to all employees including Directors amounted to US\$134,327,000, representing an increase of 132% compared to period from 1 January 2021 to 30 June 2021.

We have share option schemes in place to act as incentive to recognise the contributions made by the employees, executives, officers and directors of the Group, to retain them for the continuing operation and development of the Group and to attract suitable personnel for further development of the Group. For further details, please refer to the paragraph "KM ESOP, Tier 1 ESOP, Post-IPO share option scheme and Long Term Incentive Scheme" under this section.

INTERIM DIVIDEND

Please refer to the announcement of the Company dated 13 July 2022 for details of the dividend policy adopted by the Company with effect from 13 July 2022. The Board has resolved to declare an interim dividend of HK\$12.5 cents per Share (approximately 1.6 US cents per Share) (2021: nil), representing a total payout of approximately HK\$556 million (approximately US\$70 million) (2021: nil). Shareholders whose names appear on the register of members of the Company on Thursday, 15 September 2022 will be entitled to the interim dividends which will be paid on Friday, 30 September 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 13 September 2022 to Thursday, 15 September 2022, (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for an interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Friday, 9 September 2022.

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 to 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 Part 2 of the CG Code during the six months ended 30 June 2022.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 regarding all Directors’, officers and employees’ securities transactions on terms no less exacting than the required standard set out in the Model Code. In response to specific enquiries made, all Directors confirmed that they have complied with the required standards set out in such code regarding their securities transactions throughout their tenure during the six months ended 30 June 2022.

DISCLOSURE OF DIRECTORS’ INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Changes in the information of directors required to be disclosed under Rule 13.51B(1) of the Listing Rules since the date of annual report 2021 of the Company are set out as follows:

Ms Serene Siew Noi Nah was appointed as an independent non-executive Director of the Company and as a member of the Audit Committee and Nomination Committee with effect from 19 April 2022. She resigned as an executive director and chief financial officer of Kerry Properties Limited (stock code: 683) with effect from 31 August 2022.

Ms Wei-Lin Kwee was appointed as an independent non-executive Director and as a member of the Remuneration Committee with effect from 25 May 2022 until the annual general meeting held at 1 June 2022 and with effect from 1 June 2022 after the annual general meeting.

The Right Honourable Sir Hugo George William Swire, KCMG and Mr Robin Tom Holdsworth as independent non-executive Directors and Mr David Alasdair William Matheson as a non-executive Director retired from the Board at the conclusion of the annual general meeting held at 1 June 2022. Following their retirement, The Right Honourable Sir Hugo George William Swire, KCMG also ceased to be the chairman of the Nomination Committee, and Mr Robin Tom Holdsworth ceased to be a member of the Audit Committee.

Mr Brett Harold Krause was appointed as the chairman of the Nomination Committee with effect from 1 June 2022.

Save as disclosed above, there is no other information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

Share Repurchase

The Directors of the Company have been granted the general mandate (the “**Repurchase Mandate**”) pursuant to resolutions of the Shareholders of the Company (the “**Shareholders**”) passed on 2 June 2021 and 1 June 2022, to repurchase shares of the Company (the “**Shares**”) in the open market from time to time. Pursuant to the Repurchase Mandate, the Company is allowed to repurchase up to 10% of the total number of issued Shares as at the date of passing such resolution.

During the six months ended 30 June 2022, the Company had repurchased, under the Repurchase Mandate, a total of 17,084,600 Shares on the Stock Exchange ranging from HK\$19.80 to HK\$23.00 per Share, representing approximately 0.38% of the issued Shares as at 30 June 2022 for a consideration of US\$47.5 million (approximately HK\$372.5 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		Aggregate consideration HK\$ million
		Highest HK\$	Lowest HK\$	
May	5,836,000	23.00	22.15	131.9
June	11,248,600	23.00	19.80	240.6
	17,084,600			372.5

8,847,800 and 8,236,800 Shares repurchased during the six months ended 30 June 2022 have been cancelled in June and July 2022 respectively. Details of cancellation of the repurchased Shares are as follows:

Date	Number of Shares cancelled
8 June 2022	5,836,000
21 June 2022	3,011,800
12 July 2022	1,823,600
13 July 2022	6,413,200
Total	17,084,600

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

Redemption And Cancellation Pursuant To The US\$2,000,000,000 Multicurrency Debt Issuance Programme

Reference is made to the S\$350,000,000 in aggregate principal amount of 6.75 per cent. fixed rate notes due 2022 (ISIN Code: SGXF43834302) (the "**S\$350m Notes**") and the US\$425,000,000 in aggregate principal amount of 7.875 per cent. fixed rate notes due 2022 (ISIN Code: XS1970560451) ("**US\$425m Notes**") issued by the Company, pursuant to its US\$2,000,000,000 Multicurrency Debt Issuance Programme, scheduled to mature on 1 February 2022 and 4 April 2022 respectively.

As 1 February 2022 was not a business day (as defined in the terms and conditions of the S\$350m Notes), the Company has made payment on 3 February 2022 and 4 April 2022 for the redemption in full of all the outstanding S\$350m Notes and US\$425m Notes respectively at 100.0 per cent. of its principal amount respectively. Following the full redemption of all the outstanding S\$350m Notes and US\$425m Notes, the S\$350m Notes and US\$425m Notes were cancelled in accordance with the terms and conditions of the S\$350m Notes and US\$425m Notes and, following such cancellation, there were no outstanding S\$350m Notes on 3 February 2022 and US\$425m Notes on 4 April 2022 respectively.

Please refer to the Company's announcements dated 3 February 2022 and 4 April 2022 for details.

Shares Purchased By Trustee Under The Long Term Incentive Scheme

During the six months ended 30 June 2022, under the Long Term Incentive Scheme of the Company adopted on 2 June 2021, the trustee of the Long Term Incentive Scheme, pursuant to the rules and trust deed of the scheme, purchased on the Stock Exchange a total of 257,867 Shares of the Company at a total consideration of approximately US\$0.8 million (approximately HK\$6.3 million).

Save as disclosed above, during the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CONVERTIBLE BONDS ISSUED

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

The net proceeds from the Bond Issue, after deducting fees, commission and expenses payable in connection with the Bond Issue, was approximately US\$345.0 million, which the Company is using for refinancing of existing borrowings, financing of potential acquisition and investment opportunities as well as the working capital requirements and the general corporate purposes of the Group. Based on the net proceeds and assuming the full conversion of the Bonds, the net price per share is approximately HK\$31.67. As of 30 June 2022, the net proceeds were fully utilized 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.

During the six months ended 30 June 2022, there was no conversion of convertible bonds. Details of the convertible bonds balance as of 30 June 2022 is disclosed in Note 17 to the unaudited condensed consolidated financial information.

COMPLETION OF THE PROPOSED ACQUISITION OF ARA ASSET MANAGEMENT LIMITED

Reference is made to (i) the announcements of the Company dated 4 August 2021, 24 August 2021, 12 October 2021, 3 November 2021 and 20 January 2022 and (ii) the circular issued by the Company dated 18 October 2021 in relation to a proposed business combination of ARA Asset Management Limited and its subsidiaries with the Group (the “**Proposed Acquisition**”).

On 20 January 2022, the Proposed Acquisition was completed. The total consideration of US\$4,859 million was satisfied with US\$519 million in cash and issuance of 1,345,898,078 new Shares, determined based on the prevailing share price on completion of HK\$25.15 per Share.

Save as disclosed above, during the six months ended 30 June 2022, there were no other material acquisitions and disposals of subsidiaries, associates and joint ventures.

ISSUE FOR CASH OF EQUITY SECURITIES

Save for the issue of Shares pursuant to the exercise of options granted under the KM ESOP and the Long Term Incentive Scheme as disclosed on page 23 and page 36 and the Consideration Issue as disclosed above, during the six months ended 30 June 2022, there was no other issue of equity securities (including securities convertible into equity securities) of the Company.

REVIEW OF INTERIM REPORT

The Audit Committee has reviewed the unaudited condensed consolidated financial information for the six months ended 30 June 2022.

Ernst & Young, the Group’s external auditor, has carried out a review of the unaudited condensed consolidated financial information for the six months ended 30 June 2022 in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants.

INDEPENDENT REVIEW REPORT



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話 : +852 2846 9888
Fax 傳真 : +852 2868 4432
ey.com

To the shareholders of ESR Group Limited
(formerly known as ESR Cayman Limited)
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 42 to 94, which comprises the condensed consolidated statement of financial position of ESR Group Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as at 30 June 2022 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“**IAS 34**”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

25 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
Revenue	3,4	431,706	204,399
Cost of sales		(9,284)	(30,861)
Gross profit		422,422	173,538
Other income and gains, net	4	290,321	212,494
Administrative expenses		(238,954)	(96,761)
Finance costs	6	(99,308)	(79,810)
Share of profits and losses of joint ventures and associates, net		145,005	78,149
Profit before tax	5	519,486	287,610
Income tax expense	7	(99,743)	(57,915)
Profit for the period		419,743	229,695
Attributable to:			
Owners of the Company		380,607	213,947
Non-controlling interests		39,136	15,748
		419,743	229,695
Earnings per share attributable to ordinary equity holders of the Company	9		
Basic earnings per share		US\$0.08	US\$0.07
Diluted earnings per share		US\$0.08	US\$0.07
Profit for the period		419,743	229,695
Other comprehensive loss			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(202,028)	(36,261)
Share of other comprehensive loss of joint ventures and associates		(171,842)	(7,309)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		(373,870)	(43,570)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of financial assets at fair value through other comprehensive income		(84,457)	(20,944)
Share of fair value reserve of associates and joint ventures		482	-
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		(83,975)	(20,944)
Other comprehensive loss for the period, net of tax		(457,845)	(64,514)
Total comprehensive (loss)/income for the period		(38,102)	165,181
Attributable to:			
Owners of the Company		(54,494)	152,135
Non-controlling interests		16,392	13,046
		(38,102)	165,181

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

		30 June 2022 (Unaudited) US\$'000	31 December 2021 (Audited) US\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		33,713	33,937
Right-of-use assets		28,062	8,940
Investments in joint ventures and associates	10	2,675,166	1,331,017
Financial assets at fair value through profit or loss	11	659,899	709,622
Financial assets at fair value through other comprehensive income	12	1,002,894	779,436
Investment properties	13	3,166,788	3,704,243
Goodwill		3,455,498	542,636
Other intangible assets		1,338,262	101,694
Financial derivative assets		4,672	-
Other non-current assets		122,592	90,867
Deferred tax assets		105,843	114,956
Total non-current assets		12,593,389	7,417,348
CURRENT ASSETS			
Trade receivables	14	250,770	125,968
Prepayments, other receivables and other assets		499,353	156,074
Financial assets at fair value through profit or loss	11	15,474	-
Financial derivative assets		20	-
Cash and bank balances		2,014,685	1,638,228
		2,780,302	1,920,270
Assets of a disposal group classified as held for sale	18	1,014,006	-
Total current assets		3,794,308	1,920,270
CURRENT LIABILITIES			
Bank and other borrowings	15	638,473	1,312,883
Lease liabilities		9,663	3,488
Trade payables, accruals and other payables	16	510,985	235,922
Contingent consideration payable		11,333	-
Income tax payable		83,740	29,550
		1,254,194	1,581,843
Liabilities directly associated with the assets classified as held for sale	18	648,176	-
Total current liabilities		1,902,370	1,581,843
NET CURRENT ASSETS		1,891,938	338,427
TOTAL ASSETS LESS CURRENT LIABILITIES		14,485,327	7,755,775

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

		30 June 2022 (Unaudited) US\$'000	31 December 2021 (Audited) US\$'000
	Notes		
NON-CURRENT LIABILITIES			
Deferred tax liabilities		620,304	355,212
Bank and other borrowings	15	4,310,458	2,935,012
Lease liabilities		20,160	5,601
Financial derivative liabilities		190	–
Other non-current liabilities		171,715	45,915
Total non-current liabilities		5,122,827	3,341,740
NET ASSETS			
		9,362,500	4,414,035
EQUITY			
Equity attributable to owners of the Company			
Issued capital	24	4,464	3,049
Perpetual capital securities	26	741,795	261,147
Equity components of convertible bonds	17	48,501	48,501
Other reserves		8,245,372	3,846,161
		9,040,132	4,158,858
Non-controlling interests		322,368	255,177
TOTAL EQUITY		9,362,500	4,414,035

Mr Jeffrey David Perlman
Director

Mr Jinchu Shen
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company													
	Issued capital (note 24)	Share premium* (note 24)	Statutory reserve*	Merger reserve*	Share-based payment reserve* (note 25)	Exchange fluctuation reserve*	Retained profits*	Investment reserve (non-recycling)*	Equity components of convertible bonds (note 17)	Perpetual capital securities (note 26)	Other reserve*	Total	Non-controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
As at 1 January 2022 (audited)	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
Profit for the period	-	-	-	-	-	-	380,607	-	-	-	-	380,607	39,136	419,743
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(79,334)	-	-	-	(79,334)	(5,123)	(84,457)
Share of other comprehensive loss of joint ventures and associates	-	-	-	-	-	(184,407)	-	-	-	-	-	(184,407)	(17,621)	(202,028)
Total comprehensive loss for the period	-	-	-	-	-	(171,842)	380,607	482	-	-	-	(171,360)	-	(171,360)
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	(356,249)	(78,852)	-	-	-	-	(54,494)	16,392	(88,102)
Profit attributable to holders of perpetual capital securities (note 26)	-	-	-	-	-	-	77,823	(77,823)	-	-	-	-	-	-
Distribution paid to holders of perpetual capital securities (note 26)	-	-	-	-	-	-	(21,181)	-	-	21,181	-	-	-	-
Redemption of perpetual capital securities (note 26)	-	-	-	-	-	-	-	-	-	(23,762)	-	(23,762)	-	(23,762)
Contribution from non-controlling interests	-	-	-	-	-	-	(2,201)	-	-	(216,601)	-	(218,802)	3,558	(218,802)
Dividend distributions to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(4,867)	(4,867)
Partial disposal of shares in subsidiaries to non-controlling interests	-	-	-	-	-	-	3,996	-	-	-	-	3,996	26,097	30,093
Acquisition of subsidiaries	1,346	4,338,816	-	-	955	-	-	-	-	699,830	-	5,040,947	76,601	5,117,548
Adjustment on the share redemption options granted to non-controlling shareholders of subsidiaries	-	-	-	-	-	87	-	-	-	-	(78,185)	(78,098)	(50,633)	(128,731)
Issue of new shares	77	249,923	-	-	-	-	-	-	-	-	-	250,000	-	250,000
Share repurchased and cancellation	(9)	(47,594)	-	-	-	-	-	-	-	-	-	(47,603)	-	(47,603)
Issue of shares upon exercise of share options (note 24)	1	958	-	-	(1,434)	-	-	-	-	-	-	(475)	-	(475)
Issue of shares pursuant to Long Term Incentive Scheme (note 24)	-	610	-	-	(1,440)	-	-	-	-	-	-	(830)	-	(830)
Share-based compensation arrangement	-	-	-	-	10,395	-	-	-	-	-	-	10,395	43	10,438
As at 30 June 2022 (unaudited)	4,464	6,564,901	4,302	56,358	38,375	(334,922)	1,994,726	(29,401)	48,501	741,795	(48,967)	9,040,132	322,368	9,362,500

* These reserve accounts comprise the consolidated reserves of US\$8,245,372,000 in the consolidated statement of financial position as at 30 June 2022 (31 December 2021: US\$3,846,161,000).

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company										Total equity US\$'000			
	Issued capital (note 24) US\$'000	Share premium* (note 24) US\$'000	Statutory reserve* US\$'000	Merger reserve* US\$'000	Share-based payment reserve* (note 25) US\$'000	Exchange fluctuation reserve* US\$'000	Retained profits* US\$'000	Investment reserve (non-recycling)* US\$'000	Equity components of convertible bonds (note 17) US\$'000	Perpetual capital securities (note 26) US\$'000		Other reserve* US\$'000	Total US\$'000	Non-controlling interests US\$'000
As at 1 January 2021 (audited)	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 period	-	-	-	-	-	-	213,947	-	-	-	-	213,947	15,748	229,695
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	(21,820)	-	-	-	(21,820)	876	(20,944)
Exchange differences on translation of foreign operations	-	-	-	-	-	(32,683)	-	-	-	-	-	(32,683)	(3,578)	(36,261)
Share of other comprehensive loss of joint ventures and associates	-	-	-	-	-	(7,309)	-	-	-	-	-	(7,309)	-	(7,309)
Total comprehensive income for the period	-	-	-	-	-	(39,992)	213,947	(21,820)	-	-	-	152,135	13,046	165,181
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	26,962	(26,962)	-	-	-	-	-	-
Profit attributable to holders of perpetual capital securities (note 26)	-	-	-	-	-	-	(3,321)	-	-	3,321	-	-	-	-
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	14,979	14,979
Dividend distributions to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(41,482)	(41,482)
Issuance of perpetual capital securities, net of issue costs (note 26)	-	-	-	-	-	-	-	-	-	256,328	-	256,328	-	256,328
Issue of shares upon exercise of share options (note 24)	-	(784)	-	-	(529)	-	-	-	-	-	-	(1,313)	-	(1,313)
Transfer of share-based payment reserve upon the forfeiture of share options	-	-	-	-	(206)	-	206	-	-	-	-	-	-	-
Share-based compensation arrangement	-	-	-	-	5,172	-	-	-	-	-	-	5,172	-	5,172
As at 30 June 2021 (unaudited)	3,060	2,063,351	2,735	56,358	22,948	68,451	1,369,284	84,976	48,501	259,649	29,218	4,008,531	195,539	4,204,070

Denotes less than US\$1,000

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
Cash flows from operating activities			
Profit before tax		519,486	287,610
Adjustments for:			
Amortisation of other intangible assets	5	14,428	3,238
Changes in carrying value of financial assets and financial liabilities at fair value through profit or loss	4	34,852	8,005
Depreciation of property, plant and equipment	5	2,763	1,770
Depreciation of right-of-use assets	5	6,178	3,258
Dividend income	4	(107,178)	(43,006)
Share-based compensation expense	5	10,438	5,172
Fair value gains on completed investment properties	4	(43,249)	(63,253)
Fair value gains on investment properties under construction	4	(119,678)	(102,648)
Finance costs	6	99,308	79,810
Gain on disposal of assets held for sale	4	-	(3,035)
Loss on disposal of interests in financial assets at fair value through profit or loss	4	291	-
Gain on disposal of interests in joint ventures and associates	4	(11,124)	(5,289)
Gain on disposal of investment properties	4	(32,722)	-
Gain on disposal of subsidiaries	4	(583)	-
Interest income	4	(5,028)	(2,236)
Loss on disposal of property, plant and equipment	5	367	-
Share of profits and losses of joint ventures and associates, net		(145,005)	(78,149)
		223,544	91,247
Increase in trade receivables		(48,817)	(32,277)
Decrease/(Increase) in prepayments, other receivables and other assets		4,783	(3,353)
Decrease in trade payables, accruals and other payables		(29,140)	(23,209)
Cash flows generated from operations		150,370	32,408
Income tax paid		(61,063)	(24,335)
Dividend income received from financial assets at fair value through profit or loss		503	-
Proceeds from disposal of financial assets at fair value through profit or loss		1,831	-
Net cash flows generated from operating activities		91,641	8,073

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Note	For the six months ended 30 June	
		2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
Cash flows from/(used in) investing activities			
Acquisition of subsidiaries		(44,146)	(470,622)
Additions of investment properties		(170,602)	(561,179)
Additions of other intangible assets		(1,955)	(81)
(Advances to)/Repayment from related parties and joint ventures		(22,378)	3,034
Capital injection in joint ventures and associates		(145,942)	(182,972)
Capital redemption on financial assets at fair value through other comprehensive income		24,759	-
Disposal of financial assets at fair value through other comprehensive income		349,259	149,766
Disposal of investment properties		92,053	-
Disposal of property, plant and equipment		210	-
Disposal of subsidiaries		10,702	-
Distributions from financial assets at fair value through profit or loss		59,149	30,301
Distributions from joint ventures and associates		152,517	-
Dividend income from financial assets at fair value through other comprehensive income		20,573	12,575
Dividend income from financial assets at fair value through profit or loss		83,679	29,058
(Increase)/Release of non-pledged fixed time deposits with a maturity period over three months		(954)	1,986
Interest received		4,630	1,988
Loan to third parties		(1,607)	-
Payment of contingent consideration payables		(1,600)	-
Prepayments for acquiring land use rights		(60,226)	-
Proceeds from disposal of interests in joint ventures and associates		44,049	68,365
Purchase of derivative financial assets		(11)	-
Purchase of other financial instruments		-	(10,126)
Purchase of financial assets at fair value through other comprehensive income		(34,968)	(3,801)
Purchase of financial assets at fair value through profit or loss		(65,714)	(43,683)
Purchases of property, plant and equipment		(3,918)	(4,454)
Recoverable indirect taxes paid upon acquisition of investment properties		-	(14,598)
Repayment of loan to directors of the Company		945	-
Repayments from joint ventures	20	63,120	-
Transaction costs incurred for acquisition of subsidiaries		(45,167)	-
Net cash flows generated from/(used in) investing activities		306,457	(994,443)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Cash flows from financing activities		
Accrued distributions from perpetual capital security holders	-	1,572
Capital contributions from non-controlling interests	3,558	14,520
Distribution paid to holders of perpetual capital securities	(23,762)	-
Dividend distributions to non-controlling interests	(4,867)	(41,023)
Increase in pledged bank deposits for bank loans	-	(1,154)
Increase in restricted cash	(15,612)	(21,591)
Interest on bank and other borrowings paid	(114,474)	(84,705)
Partial disposal of shares in subsidiaries to non-controlling shareholders	30,093	-
Principal portion of lease payments	(6,531)	(3,812)
Proceeds from bank and other borrowings	1,277,178	1,019,530
Proceeds from issuance of shares	250,000	-
Proceeds from issuance of perpetual capital securities, net	-	256,328
Redemption of perpetual capital securities, net	(218,802)	-
Release of pledged bank deposits for bank loans	2,146	-
Release of restricted cash	27,521	-
Repayment of bank and other borrowings	(1,021,841)	(519,933)
Share repurchased	(47,603)	-
Net cash generated from financing activities	137,004	619,732
Net increase/(decrease) in cash and cash equivalents	535,102	(366,638)
Cash and cash equivalents at beginning of period	1,517,533	1,404,068
Effect of foreign exchange rate changes, net	(100,198)	(36,946)
Cash and cash equivalents at end of period	1,952,437	1,000,484
Analysis of balances of cash and cash equivalents		
Cash and bank balances	2,014,685	1,132,605
Cash and short-term deposits attributable to the disposal group held for sale	45,346	-
Non-pledged fixed time deposits with a maturity period over three months	(954)	(326)
Pledged bank deposits	(49,999)	(50,763)
Restricted bank balances	(56,641)	(81,032)
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	1,952,437	1,000,484

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

1. CORPORATE INFORMATION

ESR Group Limited (formerly known as 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 registered office of the Company is Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. The address of head office and principal place of business is at Suites 2905-06, Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

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

2.1 BASIS OF PREPARATION

The condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

They have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through other comprehensive income, financial assets and liabilities at fair value through profit or loss, and financial derivative assets and liabilities which have been measured at fair value. Disposal group held for sale is stated at the lower of its carrying amount and fair value less cost to sell. These financial statements are presented in US dollars, with values rounded to nearest thousand except when otherwise indicated.

The condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRSs 2018-2020</i>	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41</i>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

- (a) Amendments to IFRS 3 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-Int 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-Int 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) 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 Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) 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 Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *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 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. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

3. OPERATING SEGMENT INFORMATION

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

- (a) Investment segment is divided into three main categories: (i) properties that the Group holds on balance sheet, from which the Group derives total return, including rental income and appreciation in value, (ii) co-investments funds and investment vehicles and 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 rate of return and after the Group's capital partners have received their targeted capital returns.
- (c) New Economy development segment earns development profit through the development, construction and sale of completed investment properties. The development profit includes construction income, fair value gains on investment properties under construction and gains on disposal of subsidiaries. The Group also derives pro rata earnings and pro rata value appreciation through the development activities of the development funds and investment vehicles managed by the Group in proportion to Group's co-investments in those funds and investment vehicles. The former development segment has been renamed as New Economy development segment to better reflect the nature of the properties under this segment. There is no change to the business reported under this segment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, exchange differences, depreciation and amortisation, share-based compensation expense, and corporate expenses are excluded from such measurement.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

3. OPERATING SEGMENT INFORMATION (continued)

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

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

3. OPERATING SEGMENT INFORMATION (continued)

	Six months ended 30 June 2021			
	Investment (Unaudited) US\$'000	Fund management (Unaudited) US\$'000	New Economy development (Unaudited) US\$'000	Total (Unaudited) US\$'000
Segment revenue	53,786	123,872	26,741	204,399
Revenue from continuing operations	53,786	123,872	26,741	204,399
Operating expenses	(8,914)	(26,724)	(40,579)	(76,217)
Fair value gains on investment properties	63,253	–	102,648	165,901
Dividend income	43,006	–	–	43,006
Changes in carrying value of financial assets and liabilities at fair value through profit or loss	(13,963)	–	5,958	(8,005)
Share of profits and losses of joint ventures and associates, net	42,700	–	35,449	78,149
Gain on disposal of interests in joint ventures and associates	3,251	–	2,038	5,289
Gain on disposal of asset held for sale	–	–	3,035	3,035
Segment result	183,119	97,148	135,290	415,557
<i>Reconciliation:</i>				
Depreciation and amortisation				(8,266)
Exchange losses				(2,091)
Interest income				2,236
Finance costs				(79,810)
Share-based compensation expense				(5,172)
Other unallocated gains				1,032
Corporate and other unallocated expenses				(35,876)
Profit before tax from continuing operations				287,610
Other segment information:				
Depreciation and amortisation				(8,266)
Capital expenditure*				817,754
Investments in joint ventures and associates				1,272,235

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
Greater China	120,454	58,089
Japan	57,808	61,615
South Korea	71,114	22,459
Australia and New Zealand	93,891	46,267
Southeast Asia	65,528	12,638
India	6,064	3,331
Others	16,847	-
	<u>431,706</u>	<u>204,399</u>

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

(b) Non-current assets

	30 June 2022 (Unaudited) US\$'000	31 December 2021 (Audited) US\$'000
	Greater China	4,023,103
Japan	1,485,628	826,514
South Korea	482,802	410,256
Australia and New Zealand	2,477,523	770,192
Southeast Asia	1,849,731	178,575
India	146,300	88,708
Others	354,994	-
	<u>10,820,081</u>	<u>5,813,334</u>

The non-current assets 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\$48,558,000 was derived from fund management segment (30 June 2021: US\$20,982,000 from investment segment) by a single customer for the financial period ended 30 June 2022.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

4. REVENUE, OTHER INCOME AND GAINS, NET

(a) Revenue

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Rental income from investment property operating leases (note (i))	57,655	50,648
Management fee	371,035	123,872
Construction income	151	26,741
Solar energy income	2,865	3,138
Total	431,706	204,399

Timing of revenue recognition

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Rental income from investment property operating leases	57,655	50,648
Point in time		
Management fee	125,606	38,368
Over time		
Management fee	245,429	85,504
Construction income	151	26,741
Solar energy income	2,865	3,138
Total	431,706	204,399

Note:

- (i) Rental from investment property operating leases does not include variable lease payments that do not depend on an index or a rate.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

4. REVENUE, OTHER INCOME AND GAINS, NET (continued)

(b) Other income and gains, net

	Note	For the six months ended 30 June	
		2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
Changes in carrying value of financial assets and liabilities at fair value through profit or loss		(34,852)	(8,005)
Dividend income		107,178	43,006
Fair value gains on completed investment properties	13	43,249	63,253
Fair value gains on investment properties under construction	13	119,678	102,648
Gain on disposal of asset held for sale		–	3,035
Loss on disposal of interests in financial assets at fair value through profit or loss		(291)	–
Gain on disposal of interests in joint ventures and associates		11,124	5,289
Gain on disposal of investment properties		32,722	–
Gain on disposal of subsidiaries		583	–
Interest income		5,028	2,236
Others		5,902	1,032
		<u>290,321</u>	<u>212,494</u>

5. PROFIT BEFORE TAX

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

(a) Employee benefit expense

	For the six months ended 30 June	
	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
Wages and salaries (including directors' and chief executive's remuneration)	117,600	49,373
Share-based compensation expense (note 25)	10,438	5,172
Pension scheme contributions	6,289	3,377
	<u>134,327</u>	<u>57,922</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

5. PROFIT BEFORE TAX (continued)

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

(b) Other items

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Amortisation of other intangible assets	14,428	3,238
Auditor's remuneration	1,521	959
Construction cost (note (i))	151	26,771
Depreciation of property, plant and equipment	2,763	1,770
Depreciation of right-of-use assets	6,178	3,258
Exchange losses	1,056	2,091
Loss on disposal of items of property, plant and equipment	367	–
Other tax expenses	8,931	6,096
Professional service fee	52,357	13,568

Note:

- (i) Construction costs for the six months ended 30 June 2022 and 2021 are included in "Cost of sales" in the condensed consolidated statement of profit or loss and other comprehensive income.

6. FINANCE COSTS

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Interest expense on bank loans	76,674	42,662
Interest expense on other borrowings	725	615
Interest expense on bonds	18,949	31,205
Interest expense on convertible bonds	2,603	2,596
Interest accretion on convertible bonds (note (i))	5,036	4,782
Interest expense on lease liabilities	702	326
	104,689	82,186
Less: Interest capitalised	(5,381)	(2,376)
	99,308	79,810

Note:

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Current tax	58,475	19,908
Deferred tax	41,268	38,007
	<u>99,743</u>	<u>57,915</u>

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 period, Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2021: 16.5%) on the assessable profits arising in Hong Kong.

During the period, the subsidiaries incorporated in China are subject to China income tax at the rate of 25% (30 June 2021: 25%).

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

8. DIVIDENDS

No dividend has been paid by the Company during the six months ended 30 June 2022 (30 June 2021: nil).

On 25 August 2022, the board of directors declared an interim dividend of HK\$12.5 cents (six months ended 30 June 2021: nil) per ordinary share for the financial year ending 31 December 2022, amounting to a total of approximately US\$70,000,000 (six months ended 30 June 2021: nil).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period. The weighted average number of ordinary shares of 4,470,248,000 (30 June 2021: 3,059,967,000) in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible bonds, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, 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:

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Earnings:		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	380,607	213,947
	2022	2021
	'000	'000
Number of shares:		
Weighted average number of ordinary shares in issue, used in the basic earnings per share calculation	4,470,248	3,059,967
Effect of dilution — weighted average number of ordinary shares:		
Share options	36,314	38,634
	<u>4,506,562</u>	<u>3,098,601</u>

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 period and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amounts are based on the profit for the period and the profit attributable to ordinary equity holders of the parent of US\$380,607,000, and the weighted average number of ordinary shares of 4,506,562,000 in issue during the period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

10. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	30 June 2022 (Unaudited) US\$'000	31 December 2021 (Audited) US\$'000
Share of net assets from joint ventures	870,996	878,187
Share of net assets from associates	1,622,086	313,076
Goodwill on retaining interests in joint ventures	2	2
	2,493,084	1,191,265
Shareholder loan to a joint venture	182,082	139,752
	2,675,166	1,331,017

Shareholder 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 partners. Accordingly, the shareholder loan is considered as part of the Group's investments in the joint venture.

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

Name	Place of registration and business	Percentage of			Principal activities	Classified as investment in
		Ownership interest	Voting power	Profit sharing		
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 Milestone Partnership ("EMP")	Australia	20.00%	20.00%	20.00%	Investment holding	Associate
Cromwell Property Group	Australia	30.69%	30.69%	30.69%	Property investment, funds management, property management and property development	Associate
Kenedix, Inc	Japan	30.00%	30.00%	30.00%	Fund management	Associate

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

Unanimous agreements from all joint venture parties are required for investments in joint ventures.

Investments in joint ventures and associates with a carrying amount of US\$363,497,000 (31 December 2021: nil) were pledged to secure bank and other borrowings granted to the Group (note 15).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022 (Unaudited) US\$'000	31 December 2021 (Audited) US\$'000
Current		
Listed equity investments, at fair value (note (i))	15,474	–
Non-current		
Unquoted equity interests, at fair value (note (ii))	659,899	709,622
	675,373	709,622

Notes:

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2022 (Unaudited) US\$'000	31 December 2021 (Audited) US\$'000
Listed equity investments, at fair value	791,848	779,436
Unlisted equity investments, at fair value	211,046	–
	1,002,894	779,436

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

The fair value of unlisted equity investments is estimated based on the Group's share of the net asset value of the investment funds.

As at 30 June 2022, the above equity investments of US\$1,002,894,000 (2021: US\$779,436,000) were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the period, the Group recognised loss arising from its equity investments amounted to US\$84,457,000 (30 June 2021: US\$20,944,000) in other comprehensive income. The Group also recognised dividend income in respect of its equity investments amounted to US\$58,610,000 (30 June 2021: US\$13,948,000) in the statement of profit or loss.

The listed equity investments comprise the following:

	Fair value as at 30 June 2022 (Unaudited) US\$'000
Hong Kong Exchanges and Clearing Limited ("HKEX")	
• Investment A	8,597
Singapore Exchange Securities Trading Limited ("SGX")	
• Investment B	225,966
• Investment C	90,239
• Investment D	74,369
• Investment E	301,113
Korea Exchange ("KRX KOSPI")	
• Investment F	91,564
	791,848

In May 2022, the Group sold its equity interest in a listed equity investment. The fair value on the date of sale was US\$349,259,000 (net of transaction costs) and the accumulated gain recognised in other comprehensive income of US\$111,580,000 was transferred to retained earnings.

Listed equity investments at market value with a fair value of US\$162,105,000 as at 30 June 2022 (31 December 2021: US\$183,678,000) had been pledged to secure bank and other borrowings granted to the Group (note 15).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

13. INVESTMENT PROPERTIES

	Completed investment properties US\$'000	Investment properties under construction US\$'000	Total US\$'000
At 1 January 2021	1,454,009	1,209,708	2,663,717
Additions	443,607	343,891	787,498
Acquisition of subsidiaries	226,364	30,424	256,788
Changes in fair values of investment properties	95,825	178,659	274,484
Transfer from investment properties under construction to completed investment properties	217,409	(217,409)	-
Disposal of subsidiaries	(259,895)	(15,251)	(275,146)
Exchange realignment	20,464	(23,562)	(3,098)
At 31 December 2021 (audited) and 1 January 2022	2,197,783	1,506,460	3,704,243
Additions	3,175	267,192	270,367
Acquisition of subsidiaries (note 19)	159,254	52,922	212,176
Disposal of subsidiaries (note 20)	(114,312)	(47,305)	(161,617)
Disposal	-	(59,331)	(59,331)
Changes in fair values of investment properties	43,249	119,678	162,927
Transfer from investment properties under construction to completed investment properties	158,989	(158,989)	-
Transfer from completed investment properties to investment properties under construction for redevelopment	(65,659)	65,659	-
Reclassification to assets of a disposal group classified as held for sale	(726,716)	-	(726,716)
Exchange realignment	(103,682)	(131,579)	(235,261)
At 30 June 2022 (unaudited)	1,552,081	1,614,707	3,166,788

- (a) All completed investment properties and investment properties under construction of the Group were revalued at 30 June 2022 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., The Tanizawa Sogo Appraisal Co., Ltd., KJPP Rengganis, Hamid & Rekan and Colliers International (Hong Kong) Limited 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 relevant factors to arrive at the fair value of the property. The Discounted Cash Flow Method measures the value of a property by the present worth of the net economic benefit to be received over the life of the asset.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

13. 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:

	30 June 2022 (Unaudited) US\$'000	31 December 2021 (Audited) US\$'000
Within one year	60,621	107,325
After one year but within two years	41,621	79,404
After two years but within three years	33,792	46,860
After three years but within four years	17,061	32,614
After four years but within five years	9,997	15,444
After five years	6,304	10,162
	169,396	291,809

- (c) Certain of the Group's completed investment properties and investment properties under construction with a fair value of US\$2,836,960,000 (31 December 2021: US\$2,971,458,000) were pledged to secure bank and other borrowings granted to the Group (note 15).

- (d) Fair value hierarchy

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

	For the six months ended 30 June	
	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
Significant observable inputs (Level 2)	577,894	235,405
Significant unobservable inputs (Level 3)	2,588,894	3,362,834
	3,166,788	3,598,239

During the period, there were no transfers of fair value measurement between Level 1 and Level 2 (30 June 2021: nil).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

13. INVESTMENT PROPERTIES (continued)

(d) Fair value hierarchy (continued)

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

	For the six months ended 30 June	
	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
At 1 January	3,250,778	2,550,909
Additions	105,270	460,883
Acquisition of subsidiaries	44,941	226,364
Changes in fair value of investment properties	126,916	145,774
Reclassification to asset held for sale	(726,716)	–
Exchange realignment	(212,295)	(21,096)
At 30 June	2,588,894	3,362,834

The valuation of investment properties categorised within Level 2 of the fair value hierarchy are based on comparable market transactions that consider sales of similar properties that have been transacted in the open market.

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

Investment property details	Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement	
Warehouse properties	Income capitalisation	Capitalisation rate: China: 5.40% to 6.85% (2021: 5.00% to 6.25%) Japan: 3.30% to 5.10% (2021: 3.90% to 5.60%) Hong Kong: 3.00% (2021: 3.00%) India: 8.00% (2021: 8.00%)	The estimated fair value varies inversely against the capitalisation rate	
		Discounted cash flow	Discount rate: China: 7.75% to 9.00% (2021: 8.00% to 9.25%) Japan: 3.80% to 5.00% (2021: 3.70% to 6.00%) Hong Kong: 7.00% (2021: 7.00%) India: 10.35% to 13.85% (2021: 12.85% to 13.70%)	The estimated fair value varies inversely against the discount rate
			Terminal capitalisation rate: China: 4.75% to 6.25% (2021: 5.00% to 6.25%) Japan: 3.90% to 5.50% (2021: 4.00% to 5.50%) Hong Kong: 3.00% (2021: 3.00%) India: 8.00% (2021: 8.00%)	The estimated fair value varies inversely against the terminal capitalisation rate

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

14. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The Group seeks to maintain strict control over its outstanding receivables to minimise 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 30 June 2022 and 31 December 2021, based on the invoice date and net of loss allowance, is as follows:

	30 June 2022 (Unaudited) US\$'000	31 December 2021 (Audited) US\$'000
Within 90 days	229,563	125,339
91 to 180 days	4,990	540
Over 180 days	16,217	89
Total	250,770	125,968

15. BANK AND OTHER BORROWINGS

	30 June 2022			31 December 2021		
	Effective interest rate (%)	Maturity	US\$'000 (Unaudited)	Effective interest rate (%)	Maturity	US\$'000 (Audited)
Current						
Bank loans – secured	0.57-7.20	2022-2023	291,686	0.57-6.18	2022	438,846
Bank loans – unsecured	4.69	2023	311,619	3.09-4.10	2022	192,479
Other borrowings – unsecured	10.00	2022	7,162			–
Bonds – unsecured	3.75-4.25	2022	28,006	6.75-7.875	2022	681,558
			638,473			1,312,883
Non-current						
Bank loans – secured	0.57-8.67	2024-2041	940,353	0.57-6.18	2023-2041	794,954
Bank loans – unsecured	1.80-4.85	2023-2027	2,706,526	2.00-3.43	2023-2026	1,609,920
Other borrowings – unsecured	0.00-0.50	2023	49,606	0.50-10.00	2023-2024	57,627
Bonds – unsecured	4.15-6.00	2023-2025	300,168	5.10	2025	163,742
			3,996,653			2,626,243
Convertible bonds (note 17)	5.03	2025	313,805	5.03	2025	308,769
			4,310,458			2,935,012
			4,948,931			4,247,895

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

15. BANK AND OTHER BORROWINGS (continued)

Debt maturity profile of bank and other borrowings:

	30 June 2022 (Unaudited) US\$'000	31 December 2021 (Audited) US\$'000
Bank loans repayable		
Within one year	603,305	631,325
In the second year	471,968	621,335
In the third to fifth year, inclusive	2,890,647	1,488,164
Beyond five years	284,264	295,375
	4,250,184	3,036,199
Bonds and other borrowings repayable		
Within one year	35,168	681,558
In the second year	131,379	50,099
In the third to fifth year, inclusive	532,200	480,039
	698,747	1,211,696
	4,948,931	4,247,895

Note:

As at 30 June 2022, certain of the Group's completed investment properties and investment properties under construction in a total fair value of US\$2,836,960,000 (31 December 2021: US\$2,971,458,000), property, plant and equipment with a carrying amount of US\$23,370,000 (31 December 2021: US\$28,390,000), pledged bank deposits with an amount of US\$49,999,000 (31 December 2021: US\$52,145,000), listed equity interests at market value with a fair value of US\$162,105,000 (31 December 2021: US\$183,678,000), investments in joint ventures and associates with carrying amount of US\$363,497,000 (31 December 2021: nil), and equity interests of certain subsidiaries were pledged to secure bank and other borrowings granted to the Group.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

16. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

Trade payables, accruals and other payables balance comprise of:

	30 June 2022 (Unaudited) US\$'000	31 December 2021 (Audited) US\$'000
Trade payables	12,164	2,963
Accruals and other payables	498,821	232,959
Total	510,985	235,922

An aging analysis of the trade payables as at 30 June 2022 and 31 December 2021, based on the invoice date, is as follows:

	30 June 2022 (Unaudited) US\$'000	31 December 2021 (Audited) US\$'000
Within 30 days	8,699	306
31 to 60 days	441	1
Over 60 days	3,024	2,656
Total	12,164	2,963

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

17. 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 period.

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 30 June 2022, there was no conversion of convertible bonds.

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

	Liability component US\$'000	Equity component US\$'000	Total US\$'000
Issue of convertible bonds	301,499	48,501	350,000
Direct transaction costs	(4,959)	–	(4,959)
At the issuance date	296,540	48,501	345,041
At 1 January 2021	298,997	48,501	347,498
Effective interest expense	15,011	–	15,011
Net increase in interest payable	(5,239)	–	(5,239)
At 31 December 2021 (audited) and 1 January 2022	308,769	48,501	357,270
Effective interest expense	7,639	–	7,639
Net increase in interest payable	(2,603)	–	(2,603)
At 30 June 2022 (unaudited) (note 15)	313,805	48,501	362,306

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

18. DISPOSAL GROUP HELD FOR SALE

Disposal group held for sale is primarily related to the disposal of a portfolio of logistics and warehousing facilities in China.

On 3 July 2022, certain wholly-owned subsidiaries of the Company entered into share sale and purchase agreements with effect from 30 June 2022 to dispose a portfolio of logistics and warehousing facilities in China to a new China income venture. Following completion of the transaction, the Group will continue to maintain an indirect interest in the China income venture and act as the investment manager of the China income venture and asset manager of its property assets and earn management fees for such services.

Details of assets and liabilities classified as held for sale as at 30 June 2022 are as follows:

	As at 30 June 2022 US\$'000
Assets	
Investment properties	726,716
Deferred tax assets	4,950
Cash and bank balances	43,132
Other assets	134,328
Assets of a disposal group classified as held for sale	<u>909,126</u>
Liabilities	
Bank and other borrowings	(281,931)
Deferred tax liabilities	(67,612)
Other liabilities	(268,946)
Liabilities directly associated with assets classified as held for sale	<u>(618,489)</u>
Net assets directly associated with the disposal group	<u>290,637</u>

As at 30 June 2022, the bank and other borrowings of US\$281,931,000 bears floating interest rate from 3.07% to 6.18% per annum with maturity from 2023 to 2033. The investment property with a fair value of US\$589,423,000 was pledged to secure bank and other borrowings.

The fair value of the investment properties under the disposal group held for sale as at 30 June 2022 was measured based on the agreed transaction price (Level 2).

Lease receivables under non-cancellable operating leases generated from completed investment properties under the disposal group held for sale are as follows:

	As at 30 June 2022 (Unaudited) US\$'000
Within one year	38,604
After one year but within two years	30,942
After two years but within three years	14,101
After three years but within four years	6,604
After four years but within five years	1,566
	<u>91,817</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

19. BUSINESS COMBINATION

ARA Asset Management Limited and its subsidiaries ("ARA Group")

On 20 January 2022, the Group completed the acquisition of 100% equity interests in ARA Group. The acquisition of ARA Group was identified as a business combination by the management. The total consideration of US\$4,859,393,000 is satisfied with US\$519,231,000* in cash and US\$4,340,162,000 by the issuance of new shares, determined based on prevailing share price on completion of HK\$25.15 per share. ARA Group is a fully operational company as at the acquisition date and its principal activity is to raise, manage and advise public and private investment funds that invest across real estate assets, private real estate credit and infrastructure and new economy real estate assets.

The fair values of the identifiable assets and liabilities of ARA and goodwill on acquisition at the date of acquisition as disclosed in the table below have been measured on a provisional basis.

	Net assets acquired US\$'000
Net assets acquired	
Investments in joint ventures and associates	1,406,807
Financial assets at fair value through profit or loss	80,466
Financial assets at fair value through other comprehensive income	662,754
Investment properties	114,312
Cash and bank balances	457,412
Other assets	302,386
Bank and other borrowings	(970,738)
Other liabilities	(290,751)
Total identifiable net assets at fair value	1,762,648
Goodwill arising from acquisition	2,912,862
Management rights and trust management rights arising from acquisition	1,250,000
Deferred tax liability on management rights and trust management rights arising from acquisition	(297,500)
Non-controlling interests	(67,832)
Perpetual capital securities	(699,830)
Share-based payment reserve	(955)
	<u>4,859,393</u>
	US\$'000
Satisfied by	
Cash	511,659
Consideration shares	4,340,162
Consideration payable	7,572
	<u>4,859,393</u>

* The cash consideration of US\$519,231,000 was partially funded via issuance of new shares to SMBC (SMBC subscription). Consequently, the net cash outlay to the Company is US\$269,231,000.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

19. BUSINESS COMBINATION (continued)

ARA Asset Management Limited and its subsidiaries ("ARA Group") (continued)

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

	Cashflow on acquisition US\$'000
Cash consideration	(511,659)
Cash and bank balances acquired	457,412
Net outflow of cash and cash equivalents included in cash flows related to investing activities	<u>(54,247)</u>

Since the acquisition, ARA Group contributed US\$210,492,000 to the Group's revenue and US\$140,024,000 to the consolidated profit for the period ended 30 June 2022.

Had the combination taken place at the beginning of the period, the revenue from continuing operations of the Group and the profit of the Group for the period ended 30 June 2022 would have been US\$445,500,000 and US\$419,726,000, respectively.

Reconciliation of the carrying amount of the Group's goodwill at the beginning and end of the reporting period is presented below:

	US\$'000
Gross carrying amount	
At 1 January 2022	542,636
Acquisition of subsidiaries	<u>2,912,862</u>
At 30 June 2022	<u>3,455,498</u>
Accumulated impairment losses	
At 1 January 2022	-
Impairment losses recognised during the period	<u>-</u>
At 30 June 2022	<u>-</u>
Net carrying amount	
At 1 January 2022	<u>542,636</u>
At 30 June 2022	<u>3,455,498</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

19. BUSINESS COMBINATION (continued)

Acquisition of subsidiaries that are not businesses

Gati Realtors Private Limited ("Gati") and Future Retail Destination Private Limited ("FRDPL")

The Group previously held 51% interests in ESR Nagpur 1 Pte Ltd ("Gati") and ESR Delhi 3 Pte Ltd ("FRDPL") and accounted the investments as investments in joint ventures (the "joint ventures"). In January 2022, the other shareholder of these joint ventures sold its stakes to an external party. Accordingly, a revised shareholder agreement was entered by the Group with the new shareholder. Pursuant to the revised shareholder agreement, the Group continues to hold 51% interests in these joint ventures but will be the key decision maker. Consequently, the Group deemed to have control over Gati and FRDPL and consolidated both entities with effect from 1 January 2022.

On the acquisition date, there were no other material assets and liabilities other than those disclosed in the table below.

	Net assets acquired US\$'000
Net assets acquired	
Investment properties	44,942
Cash and bank balances	22,196
Other assets	7,022
Bank and other borrowings	(44,780)
Other liabilities	(17,918)
Total identifiable net assets at fair value	11,462
Non-controlling interests	(5,654)
	<u>5,808</u>
Satisfied by	
Investment in joint ventures	<u>5,808</u>

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

	Cashflow on acquisition US\$'000
Cash and bank balances acquired	<u>22,196</u>
Net inflow of cash and cash equivalents included in cash flows related to investing activities	<u>22,196</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

19. BUSINESS COMBINATION (continued)

Acquisition of subsidiaries that are not businesses (continued)

The Group also acquired the following subsidiaries during the period ended 30 June 2022 for a total consideration of US\$32,892,000:

Name of subsidiaries acquired	Equity interest acquired	Month of acquisition
Hainan Hujiang Enterprise Management Co., Ltd	100%	January 2022
Shanghai Zhaoran Enterprise Management Co., Ltd	75%	January 2022
Foshan Rongjin Food and Beverage Co., Ltd	75%	June 2022
Sanhe City Yiyang E-commerce Industrial Park Co., LTD	87.3%	June 2022

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	
Investment properties	52,922
Cash and bank balances	5,263
Prepayments, other receivables and other assets	44
Deferred tax assets	16
Trade payables, accruals and other payables	(22,238)
Non-controlling interests	(3,115)
	<u>32,892</u>
Satisfied by	
Cash	14,812
Consideration payable	18,080
	<u>32,892</u>

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

	Cashflow on acquisition US\$'000
Cash consideration	(14,812)
Cash and bank balances acquired	5,263
Net outflow of cash and cash equivalents included in cash flows related to investing activities	<u>(9,549)</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

20. DISPOSAL OF SUBSIDIARIES

In April 2022, the Group has, through its wholly-owned subsidiary, entered into a sale and purchase agreement to dispose of the 47.38% interests in a subsidiary, which is Brendale Asset Trust.

	US\$'000
Net assets disposed of:	
Investment properties	114,312
Cash and bank balances	1,855
Trade receivables, prepayments, trade and other receivables	472
Bank and other borrowings	(68,528)
Trade payables	(2,337)
	<hr/> 45,774
Exchange fluctuation reserve	1
Gain on disposal of subsidiaries	531
	<hr/> 46,306
Satisfied by:	
Cash	22,219
Investment in a joint venture	24,087
	<hr/> 46,306

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

	US\$'000
Cash consideration	22,219
Cash and bank balances of a subsidiary disposed of	(1,855)
Net inflow of cash and cash equivalents included in cash flows related to investing activities	<hr/> 20,364

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

20. DISPOSAL OF SUBSIDIARIES (continued)

The Group also disposed the following subsidiaries during the period:

Name of subsidiaries disposed	Equity interest disposed	Month of disposal
ECN IV Offshore Holdings (BVI) Limited	100%	January 2022
Nanning Xinrong Zhongrong Logistics Co., Ltd	100%	February 2022
LV Project 6 Pte Ltd	100%	February 2022
ARA Real Estate Investors X Pte. Ltd.	100%	April 2022
Islay Eleven Singapore Holding Pte. Ltd.	100%	May 2022
ARA Real Estate Investors 25 Limited	100%	May 2022
Harmony V/FM (ADIII)/Mgrs (MIP)	100%	June 2022
Langfang Baiyi Supply Chain Co., Ltd	100%	June 2022

US\$'000

Net assets disposed of:

Investment in joint ventures	14,812
Investment properties	47,305
Cash and bank balances	11,025
Prepayments, trade and other receivables and other assets	10,840
Deferred tax assets	88
Trade payables, accruals and other payables#	(83,964)
	106
Exchange fluctuation reserve	2,180
Gain on disposal of subsidiaries	52
	2,338
Satisfied by:	
Cash	766
Other receivables	1,572
	2,338

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

	US\$'000
Cash consideration	766
Cash and bank balances of a subsidiary disposed of	(11,025)
Net outflow of cash and cash equivalents included in cash flows related to investing activities	(10,259)

Included an amount of US\$63,120,000 that was subsequently repaid by the disposed subsidiaries to the Group during the six months ended 30 June 2022.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

21. CONTINGENT LIABILITIES

As at 30 June 2022, neither the Group nor the Company had any significant contingent liabilities.

22. 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 30 June 2022 and 31 December 2021, the Group had total future minimum lease receivable under non-cancellable operating leases with its tenants falling due as stated in note 13.

(b) Capital commitments

	30 June 2022 (Unaudited) US\$'000	31 December 2021 (Audited) US\$'000
Contracted, but not provided for investment properties	396,877	584,628
Undrawn capital calls to real estate investment funds	1,316,179	1,187,297
	1,713,056	1,771,925

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

23. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the financial information, the Group had the following material transactions with related parties during the six months ended 30 June 2022 and 2021:

(a) Transactions with related parties:

	For the six months ended 30 June	
	2022 (Unaudited) US\$'000	2021 (Unaudited) US\$'000
Associates:		
– Management fee income (note (i))	35,539	23,270
Joint ventures:		
– Management fees income (note (i))	44,403	37,371
– Repayment from/(Advances to) related parties and joint ventures (note (ii))	(22,378)	3,924
– Repayment to joint ventures (note (ii))	–	(890)
– Repayment from joint ventures (note 20)	63,120	–
– Investments in debentures issued by joint ventures (note (iii))	1,834	9,659
– Interest income on investment in debentures (note (iii))	525	789
Directors:		
– Interest receivables from Directors (note 23 (d))	210	248

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:
- Land acquisition fee at a certain percentage of the net land cost;
 - Development fee at a certain percentage of total budget of project development cost during the construction period;
 - Asset management fee at a certain percentage of the aggregate costs of the project before stabilisation or fair value after stabilisation; and
 - Leasing fee in respect of each new lease entered into.
- (ii) Repayment from/(advances to) related parties and joint ventures are unsecured, interest-free and repayable on demand. The outstanding amounts due from related parties as of 30 June 2022 is US\$49,590,000 (30 June 2021: US\$4,263,000).
- (iii) Investments in debentures issued by joint ventures and related interest income are relating to the Group's investments in Compulsorily Convertible Debentures, Optionally Convertible Debentures and Non-convertible Debentures.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

23. RELATED PARTY TRANSACTIONS (continued)

(b) Commitments with related parties

The Group's capital commitment to associates and joint ventures as of 30 June 2022 are US\$157,758,000 and US\$350,055,000, respectively (31 December 2021: US\$255,187,000 and US\$417,249,000).

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

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Short term employee benefits	4,675	2,794
Post-employment benefits	13	5
Share-based payment	591	345
Total compensation paid to key management personnel	5,279	3,144

(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 2021 US\$'000	Maximum amount outstanding during the year US\$'000	At 31 December 2021 (audited) and 1 January 2022 US\$'000		Maximum amount outstanding during the period US\$'000	At 30 June 2022 (Unaudited) US\$'000
Mr Stuart Gibson	4,600	4,853	4,853	4,600	4,600	
Mr Charles Alexander Portes	4,600	4,853	4,853	4,600	4,600	

Loans granted to directors bear interest at 4.5% (31 December 2021: 4.5%) per annum, and are unsecured and repayable in year 2023. Loans to Directors and the related interest receivables were included in prepayments, other receivables and other assets as of 30 June 2022.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

24. SHARE CAPITAL

	30 June 2022 (Unaudited)	31 December 2021 (Audited)
--	--------------------------------	----------------------------------

Authorised number of shares	8,000,000,000	8,000,000,000
-----------------------------	---------------	---------------

	30 June 2022 (Unaudited) US\$'000	31 December 2021 (Audited) US\$'000
--	--	--

Issued and fully paid	4,464	3,049
-----------------------	-------	-------

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 2021	3,059,814,917	3,060	2,064,135	2,067,195
Share-based compensation plan exercised (note (i), (ii))	2,662,626	3	121	124
Share repurchased and cancellation (note (iii))	(13,873,800)	(14)	(42,068)	(42,082)
At 31 December 2021 (audited) and 1 January 2022	3,048,603,743	3,049	2,022,188	2,025,237
Acquisition of subsidiaries	1,345,898,078	1,346	4,338,816	4,340,162
Issue of new shares	76,689,349	77	249,923	250,000
Share-based compensation plan exercised (note (iv), (v), (vi))	1,665,096	1	1,568	1,569
Share repurchased and cancellation (note (vii))	(8,847,800)	(9)	(47,594)	(47,603)
At 30 June 2022 (unaudited)	4,464,008,466	4,464	6,564,901	6,569,365

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

24. SHARE CAPITAL (continued)

Notes:

- (i) 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. An amount of US\$3,216,000 (before tax of US\$1,851,000) was transferred from the share-based payment reserve to share capital and share premium upon the exercise of the share options.
- (ii) 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.
- (iii) 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.
- (iv) 1,458,829 shares were issued by the Company for a nil cash consideration in satisfaction of 2,283,919 share options exercised in 2022 at the exercise price of US\$1.07 per share and 206,267 shares were issued by the Company in satisfaction of 464,134 Long Term Incentive Scheme exercised in 2022 (note 25). An amount of US\$2,874,000 (before tax of US\$124,000) was transferred from the share-based payment reserve to share capital and share premium upon the exercise of the share-based compensation plan.
- (v) Pursuant to the rules and trust deed of the Long Term Incentive Scheme ("LTI Scheme") adopted on 2 June 2021, the trustee of the LTI Scheme had purchased on the Hong Kong Stock Exchange a total of 257,867 shares of the Company at a total consideration of US\$830,000 during the six months ended 30 June 2022.
- (vi) During the six months ended 30 June 2022, the Company paid withholding tax of US\$351,000 in relation to share options exercised in the previous financial year. The withholding tax expense was recorded in share premium account.
- (vii) The Company repurchased 17,084,600 of its own shares on the Hong Kong Stock Exchange for a consideration of approximately US\$47,603,000. 8,847,800 shares have been cancelled before the reporting date of 30 June 2022 and 8,236,800 shares were cancelled subsequent to the reporting date in July 2022, the amount paid for the purchase of the shares has been charged to share capital and share premium.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

25. SHARE-BASED COMPENSATION PLAN

A. 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 six months ended 30 June 2022:

	Weighted average exercise price US\$	Number of options '000
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 (audited) and at 1 January 2022		63,490
Granted during the period	2.90	384 [#]
Exercised during the period	1.07	(2,284)
At 30 June 2022 (unaudited)		61,590

The weighted average share price at the date of exercise for share options exercised during the six months ended 30 June 2022 was HK\$24.48 (31 December 2021: HK\$25.11) per share.

The exercise prices and exercise periods of the share options outstanding as at 30 June 2022 and 31 December 2021 are as follows:

Number of options ('000)		Exercise price per share	Exercise period
30 June 2022	31 December 2021		
24,700	24,700	US\$0.4600	20-04-17 to 20-01-26
100	100	US\$0.4722	01-01-23* to 22-02-29
13,863	15,659	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
2,586	3,074	US\$1.5172	20-05-24* to 19-05-29
6,650	6,650	HK\$27.30	28-12-21 to 27-12-30
11,486	11,486	HK\$24.50	23-08-21 to 22-08-31
384 [#]	–	HK\$22.78	08-06-22 to 07-06-32
61,590	63,490		

* 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.

[#] Total share options of 384,000, at an exercise price of HK\$22.78, were granted to the directors of Company, Jinchu Shen and Stuart Gibson on 8 June 2022, in equal amount. The share options will vest in three equal tranches on 8 June 2022, 8 June 2023 and 8 June 2024.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

25. SHARE-BASED COMPENSATION PLAN (continued)

A. Share Option Plan (continued)

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.

The fair value of the share options granted during the six months ended 30 June 2022 and 2021 was approximately US\$434,412 (US\$1.13 each) and US\$12,281,408 (US\$1.07 each), respectively.

The fair value of share options granted during the six months ended 30 June 2022 and 2021 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 30 June 2022	As at 31 December 2021
Dividend yields (%)	–	–
Volatility (%)	25.06	25.59
Risk-free interest rate (%)	2.87	1.13
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 2,283,919 share options exercised during the six months ended 30 June 2022 resulted in the issue of 1,458,829 ordinary shares of the Company and new share capital of US\$1,459 (before issue expenses), as further detailed in note 24.

At 30 June 2022, the Company had 61,590,000 share options outstanding under the Plans. The exercise in full of the outstanding share options by conventional exercise method would, under the present capital structure of the Company, result in the issue of 61,590,000 additional ordinary shares of the Company and additional share capital and share premium of US\$91,381,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 61,590,000 share options outstanding under the Plans, which represented approximately 1.38% of the Company’s shares in issue as at that date.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

25. SHARE-BASED COMPENSATION PLAN (continued)

B. Long Term Incentive Scheme

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.

Eligible participants of 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. 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". The Long Term Incentive Scheme became effective on 2 June 2021 and, unless otherwise canceled or amended, will remain in force for 10 years from that date.

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). According to the Long Term Incentive Scheme, 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.

The following awarded shares were outstanding under the Long Term Incentive Scheme during the six months ended 30 June 2022:

	Weighted average share price at grant date US\$	2022 Number of awarded shares '000
At 1 January 2022		–
Granted during the period	2.95	13,031*
Vested during the period	3.10	(464)
At 30 June 2022 (unaudited)		<u>12,567</u>

* Up to a maximum of 14,406,000 Shares if the performance targets relating to certain Awards of PSUs granted are achieved which would entitle the grantee to receive 150% of the initial number of Shares subject to the Award.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

25. SHARE-BASED COMPENSATION PLAN (continued)

B. Long Term Incentive Scheme (continued)

The share price at grant date and vesting periods of the awarded shares outstanding under the Long Term Incentive Scheme outstanding as at 30 June 2022 are as follows:

Number of awarded shares (‘000)	Share price at grant date per share	Vesting period
2,982	HK\$24.35	23-02-22 to 30-06-25
9,585	HK\$22.70	08-06-22 to 08-06-26
<u>12,567</u>		

The fair value of the awarded shares was determined based on the market value of the Company’s shares at the grant date. The weighted average fair value of the awarded shares granted during the six months ended 30 June 2022 was HK\$24.55 per share. The total expense recognised in respect of the Long Term Incentive Scheme adopted by the Company for the six months ended 30 June 2022 was US\$4,963,000.

At the date of approval of these financial statements, the Company had approximately 12,567,000 awarded shares outstanding under the Long Term Incentive Scheme, which represented approximately 0.28% of the Company’s shares in issue as at that date.

26. PERPETUAL CAPITAL SECURITIES

Perpetual Securities NC5 5.65%

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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

26. PERPETUAL CAPITAL SECURITIES (continued)

Perpetual Securities Series 001, Series 002 and Series 004

On 20 January 2022, the Group consolidated subordinated perpetual capital securities amounting to US\$699,830,000 (inclusive of issuance cost and accrued dividend distribution) upon completion of the acquisition of 100% equity interests in ARA Group. These related to subordinated perpetual securities (the “perpetual securities”) with aggregate principal amounts totaling S\$950,000,000 (approximately US\$698,000,000) (Series 001, Series 002, Series 004 at S\$300,000,000, S\$300,000,000, S\$350,000,000 respectively) issued by ARA Asset Management Pte Ltd on 17 July 2017 (“Series 001”), 21 June 2018 (“Series 002”) and 4 September 2019 (“Series 004”).

Such perpetual securities bear distributions at a rate of 5.2% (Series 001), 5.65% (Series 002) and 5.6% (Series 004) per annum, payable semi-annually. Subject to relevant terms and conditions in the Information Memorandum dated 29 June 2017 (Series 001), 12 February 2018 (Series 002) and 4 September 2019 (series 004), ARA Group may elect to defer making distributions on the perpetual securities, and is not subject to any limits as to the number of times a distribution can be deferred. The perpetual capital securities are classified as equity instruments and recorded in equity in the consolidated statement of financial position.

The perpetual securities constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with any unsecured obligations of the Issuer. Perpetual securities Series 001 were fully redeemed on 4 May 2022.

Movements of the perpetual capital securities are as follows:

	Principal US\$'000	Distribution US\$'000	Total US\$'000
At 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 (audited) and 1 January 2022	256,318	4,829	261,147
Acquisition of subsidiaries	699,830	-	699,830
Profit attributable to holders of perpetual capital securities	-	21,181	21,181
Distribution to holders of perpetual capital securities	-	(23,762)	(23,762)
Redemption of perpetual capital securities	(216,601)	-	(216,601)
At 30 June 2022 (unaudited)	739,547	2,248	741,795

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

27. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each category of financial instruments as at 30 June 2022 and 31 December 2021 are as follows:

30 June 2022

	Financial assets at fair value through profit or loss (Unaudited) US\$'000	Financial assets at amortised cost (Unaudited) US\$'000	Financial assets at fair value through other comprehensive income (Unaudited) US\$'000	Total (Unaudited) US\$'000
Financial assets				
Financial assets at fair value through profit or loss	675,373	–	–	675,373
Financial assets at fair value through other comprehensive income	–	–	1,002,894	1,002,894
Financial derivative assets	4,692	–	–	4,692
Trade receivables	–	250,770	–	250,770
Financial assets included in other non-current assets	5,436	58,804	–	64,240
Financial assets included in prepayments, other receivables and other assets	–	369,060	–	369,060
Pledged bank deposits	–	49,999	–	49,999
Restricted bank balances	–	56,641	–	56,641
Cash and cash equivalents	–	1,907,091	–	1,907,091
Non-pledged fixed time deposits with a maturity period over three months	–	954	–	954
	685,501	2,693,319	1,002,894	4,381,714

	Financial liabilities at fair value through profit or loss (Unaudited) US\$'000	Financial liabilities at amortised cost (Unaudited) US\$'000	Total (Unaudited) US\$'000
Financial liabilities			
Financial liabilities included in trade payables, accruals and other payables	–	446,081	446,081
Interest-bearing bank and other borrowings	–	4,948,931	4,948,931
Lease liabilities	–	29,823	29,823
Contingent consideration payable	–	11,333	11,333
Financial derivative liabilities	190	–	190
Financial liabilities included in other non-current liabilities	–	128,731	128,731
	190	5,473,737	5,602,658

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

27. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

31 December 2021

	Financial assets at fair value through profit or loss (Audited) US\$'000	Financial assets at amortised cost (Audited) US\$'000	Financial assets at fair value through other comprehensive income (Audited) US\$'000	Total (Audited) 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
Financial assets included in 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 cash equivalents	–	1,517,533	–	1,517,533
	721,813	1,842,558	779,436	3,343,807

	Financial liabilities at amortised cost (Audited) US\$'000	Total (Audited) 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
Financial liabilities included in other non-current liabilities	45,915	45,915
	4,493,544	4,493,544

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

28. 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 Group reviews with independent valuers on valuation inputs every half yearly, in line with its half year and annual reporting dates.

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 have been estimated based on the Group's share of the net asset value of the investment funds. The net asset value of the investment funds comprise mainly their investment properties whose fair values were determined by an external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. Therefore, management has determined that the net asset value of the investment funds represent fair value as at period end.

The Group entered into derivative financial instruments, including foreign currency forward contracts and put option contract. The fair values of foreign currency forward contracts are measured using quoted prices of similar financial assets adjusted for the transaction expenses. The fair value of put option contract is determined using option pricing model based on the present value techniques that reflect both the time value and the intrinsic value of an option. The inputs used in the present value techniques included the estimated share price and discount rate, which involve a significant degree of management judgement where adjustments may be made by management for differences between the share price of investment in associate and the referenced comparable.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

28. 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 30 June 2022 and 31 December 2021 is as follows:

	Valuation technique	Key unobservable input	Range	Sensitivity of the fair value to the input
Unlisted financial assets at fair value through other comprehensive income and profit or loss	Net asset value	Net asset value	2022: US\$309,000 to US\$674,164,000 2021: US\$395,000 to US\$642,305,000	1% increase (decrease) in net asset value would result in increase (decrease) in fair value by 1%
Investment in Optionally Convertible Debentures at fair value	Discounted cash flow	Cost of equity	2022: 10.25% 2021: 10.25%	1% increase (decrease) in cost of equity would result in (decrease) increase in estimated fair value by 0.15%
Put option contract	Option pricing model	Share price of investment in associate	2022: JPY1,553 2021: Nil	5% increase (decrease) in share price of investment in associate would result in (decrease) increase in estimated fair value by US\$921,000
		Discount rate	2022: 0.46% 2021: Nil	10 basis points increase (decrease) in discount rate would result in (decrease) increase in estimated fair value by US\$5,000
Share redemption option	Discounted cash flow	Net asset fair value	2022: US\$1,360,856,000 2021: Nil	1% increase (decrease) in net asset fair value would result in increase (decrease) in estimated fair value by 1%

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

28. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

	Quoted prices in active market (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	Total US\$'000
30 June 2022 (unaudited)				
Financial assets at fair value through profit or loss	15,474	–	665,335	680,809
Financial assets at fair value through other comprehensive income	791,848	–	211,046	1,002,894
Financial derivative assets	–	210	4,482	4,692
	<u>807,322</u>	<u>210</u>	<u>880,863</u>	<u>1,688,395</u>
31 December 2021 (audited)				
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
	<u>779,436</u>	<u>–</u>	<u>721,813</u>	<u>1,501,249</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

28. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Assets measured at fair value (continued)

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

	Put option US\$'000	Equity instruments US\$'000
Financial assets at fair value		
At 1 January 2021	–	685,223
Gain on disposal of interests in financial assets at fair value through profit or loss	–	1,074
Disposal	–	(22,817)
Disposal of subsidiary (net of interest retained)	–	257
Distribution	–	(71,448)
Interest receivable	–	1,067
Purchases	–	156,045
Total gain recognised in profit or loss included in other income	–	13,976
Exchange realignment	–	(41,564)
At 31 December 2021 (audited) and 1 January 2022	–	721,813
Acquisition of subsidiaries	5,316	333,729
Distribution	–	(59,149)
Elimination	–	(6,815)
Interest receivable	–	263
Purchases	–	80,623
Reclassification to assets held for sale	–	(21,166)
Reclassification from investments in joint venture	–	300
Redemption	–	(24,759)
Total losses recognised in other comprehensive income	–	(42,388)
Total losses recognised in profit or loss included in other income	–	(32,392)
Exchange realignment	(834)	(73,678)
At 30 June 2022 (unaudited)	4,482	876,381

Liabilities measured at fair value

	Significant observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	Total US\$'000
30 June 2022 (unaudited)			
Financial derivative liabilities	190	–	190
Share redemption option	–	128,731	128,731
	190	128,731	128,921

During the six months ended 30 June 2022, there were no transfers of fair values measurements into or out of Level 3 for financial liabilities.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

29. EVENTS AFTER THE REPORTING PERIOD

On 3 July 2022, certain wholly-owned subsidiaries of the Company entered into agreements to dispose a portfolio of logistics and warehousing facilities in the PRC to a new China income venture. Following completion of the transaction, the Group will continue to maintain an indirect interest in the China income venture and act as the investment manager of the China income venture and asset manager of its property assets and earn management fees for such services. The portfolio to be disposed has been presented as “assets and liabilities of a disposal group classified as held for sale” as of 30 June 2022.

On 21 July 2022, Sunrise Victory Limited (“**Sunrise Victory**”), a wholly-owned subsidiary of the Company, received the letter from the Lands Department of the Government of Hong Kong confirming that its tender for a piece of land located at the junction of Mei Ching Road and Container Port Road South, Kwai Chung, New Territories registered in the Land Registry as Kwai Chung Town Lot No. 531 at the land premium of approximately HK\$5,257 million has been accepted.

Subsequently, on 15 August 2022, the Group through its wholly-owned subsidiary, Victory Door Limited (“**Victory Door**”), entered into shares subscription and shareholders’ agreement (the “**SSA**”) with its JV partner in relation to the formation of a JV Company, namely Victory Lane Development Limited. The JV Company will hold the entire equity interest in Sunrise Victory. Prior to the entering into the SSA, Sunrise Victory was indirectly wholly-owned by the JV Company, which in turn was wholly-owned by Victory Door. Following completion, the JV company is treated as a joint venture of the Group (with the Group holding 51% interest in the JV Company) and ceases to be a subsidiary of the Group. The JV Company will be equity accounted for in the financial statements of the Group and its financial results will not be consolidated into the financial statements of the Group.

30. APPROVAL OF THE FINANCIAL INFORMATION

The condensed consolidated financial information was approved and authorised for issue by the board of directors on 25 August 2022.

NON-IFRS MEASURES

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.

The following table sets out the reconciliations of EBITDA, Adjusted EBITDA and Core PATMI:

Financial Year (in US\$'000)	FY2019	FY2020	FY2021	1H2021	1H2022
Profit before tax	360,334	410,704	488,840	287,610	519,486
Add/(less):					
Depreciation and amortisation	16,363	17,141	17,137	8,266	23,369
Finance costs	180,368	147,414	163,549	79,810	99,308
Interest income	(7,974)	(4,082)	(5,328)	(2,236)	(5,028)
EBITDA	549,091	571,177	664,198	373,450	637,135
Add/(less):					
Share-based compensation expense	18,469	14,082	14,818	5,172	10,438
Exchange (gain)/loss	1,111	5,425	(1,587)	2,091	1,056
Listing expenses	16,345	-	-	-	-
Fair value gains on investment properties	(226,083)	(224,680)	(274,484)	(165,901)	(162,927)
Transaction costs related to ARA acquisition	-	-	27,818	-	22,463
Adjusted EBITDA	358,933	366,004	430,763	214,812	508,165
Profit after tax and minority interests	245,177	286,466	349,440	213,947	380,607
Add/(less):					
Fair value gains on completed investment properties	(68,568)	(53,717)	(95,825)	(63,253)	(43,249)
Amortisation relating to intangible assets arising from acquisition of ARA, net of tax	-	-	-	-	8,329
Listing expenses	16,345	-	-	-	-
Share-based compensation expense	18,469	14,082	14,818	5,172	10,438
Transaction costs related to ARA acquisition	-	-	27,818	-	22,463
Tax effect of adjustments	15,300	13,110	19,764	11,074	10,848
Core PATMI	226,723	259,941	316,015	166,940	389,436



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 Hwee Chiang LIM
Dr Kwok Hung Justin CHIU
Mr Rajeev Veeravalli KANNAN

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Brett Harold KRAUSE
Mr Simon James MCDONALD
Ms Jingsheng LIU
Ms Serene Siew Noi NAH
Ms Wei-Lin KWEE
(w.e.f. 25 May 2022)

COMPANY SECRETARY

Mr Richard Kin-sing LEE

MEMBERS OF AUDIT COMMITTEE

Mr Simon James MCDONALD
(Chairman)
Mr Brett Harold KRAUSE
Ms Serene Siew Noi NAH

MEMBERS OF NOMINATION COMMITTEE

Mr Brett Harold KRAUSE (Chairman)
Ms Jingsheng LIU
Ms Serene Siew Noi NAH

MEMBERS OF REMUNERATION COMMITTEE

Mr Brett Harold KRAUSE (Chairman)
Mr Jeffrey David PERLMAN
Mr Simon James MCDONALD
Ms Wei-Lin KWEE
(w.e.f. 25 May 2022)

AUTHORISED REPRESENTATIVES

Mr Jinchu SHEN
Mr Richard Kin-sing LEE

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 2905-06,
Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL BANKERS

Bank of China
China Merchants Bank Co., Ltd
Citibank N.A., Singapore branch
Crédit Agricole Corporate and
Investment Bank, Hong Kong
branch
Credit Suisse AG
DBS Bank Ltd.
Deutsche Bank AG, Singapore branch
E. Sun Commercial Bank, Ltd
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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong
Investor Services Limited
Shops 1712-16, 17/F.,
Hopewell Centre,
183 Queen's Road East, Wanchai,
Hong Kong

AUDITOR

Ernst & Young
(Registered Public Interest Entity
Auditor)

WEBSITES

ESR Group
(www.esr.com)
LOGOS
(www.logosproperty.com)

STOCK CODE

The Stock Exchange of Hong Kong
Limited
Code: 1821



esr.com



This interim report has been produced using Forest Stewardship Council™ (FSC™) certified paper and other controlled material, and has been printed with soy-based ink.